INLAND WESTERN RETAIL REAL ESTATE TRUST INC
Form POS AM
March 16, 2005

As filed with the Securities and Exchange Commission on March 16, 2005
Registration No. 333-118860

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

POST-EFFECTIVE AMENDMENT NO. 1
TO
FORM S-11
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

INLAND WESTERN RETAIL REAL ESTATE TRUST, INC.
(Exact name of registrant as specified in governing instruments)

2901 BUTTERFIELD ROAD
OAK BROOK, ILLINOIS 60523
(630) 218-8000
(Address, including zip code, and telephone number,
including, area code of Principal executive offices)

ROBERT H. BAUM, ESQ.
VICE CHAIRMAN, EXECUTIVE VICE PRESIDENT AND GENERAL COUNSEL
THE INLAND GROUP, INC.
2901 BUTTERFIELD ROAD
OAK BROOK, ILLINOIS 60523
(630) 218-8000
(Name and address, including zip code, and telephone number,
including area code of agent for service)

WITH A COPY TO:
DAVID J. KAUFMAN, ESQ.
DUANE MORRIS LLP
227 WEST MONROE STREET
SUITE 3400
CHICAGO, ILLINOIS 60606
(312) 499-6700

This Post-Effective Amendment No. 1 consists of the following:

1. Supplement No. 12 dated March 16, 2005 to the Registrant's Prospectus dated December 21, 2004, included herewith, which will be delivered as an unattached document along with the Prospectus dated December 21, 2004.

2. The Registrant's final form of Prospectus dated December 21, 2004, previously filed pursuant to Rule 424(b)(1) on December 21, 2004 and refiled herewith.

3. Part II, included herewith.

4. Signatures, included herewith.

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SUPPLEMENT NO. 12
DATED MARCH 16, 2005
TO THE PROSPECTUS DATED DECEMBER 21, 2004
OF INLAND WESTERN RETAIL REAL ESTATE TRUST, INC.

We are providing this Supplement No. 12 to you in order to supplement our prospectus. This supplement updates information in the sections of our prospectus noted in the table of contents below. This Supplement No. 12 supplements, modifies or supersedes certain information contained in our prospectus, and prior Supplements No. 1 through 11 (dated December 29, 2004 through March 11, 2005) and must be read in conjunction with our prospectus.

TABLE OF CONTENTS

PROSPECTUS SUMMARY

THE FIFTH SENTENCE UNDER THE SECTION REGARDING "OUR SPONSOR, OUR BUSINESS MANAGER/ADVISOR AND THE INLAND GROUP"" WHICH STARTS ON PAGE 2 OF OUR PROSPECTUS

HAS BEEN MODIFIED AS FOLLOWS:

Inland US Management LLC, Inland Southwest Management LLC and Inland Pacific Property Services LLC, our property managers, are entities owned principally by individuals who are affiliates of The Inland Group.

THE FIRST PARAGRAPH UNDER THE SECTION REGARDING "CONFLICTS OF INTEREST" WHICH STARTS ON PAGE 4 OF OUR PROSPECTUS HAS BEEN SUPERCEDED IN THE ENTIRETY TO READ AS FOLLOWS:

CONFLICTS OF INTEREST EXIST BETWEEN US AND SOME OF OUR AFFILIATES, INCLUDING OUR BUSINESS MANAGER/ADVISOR. THESE AFFILIATES INCLUDE INLAND REAL ESTATE CORPORATION, INLAND RETAIL REAL ESTATE TRUST, INC., INLAND REAL ESTATE EXCHANGE CORPORATION AND INLAND AMERICAN REAL ESTATE

TRUST, INC. INLAND REAL ESTATE CORPORATION IS A PUBLICLY TRADED REIT THAT IS SELF-ADMINISTERED AND GENERALLY PURCHASES SHOPPING CENTERS LOCATED IN THE MIDWEST. INLAND RETAIL REAL ESTATE TRUST, INC. IS SELF-ADMINISTERED AND GENERALLY PURCHASES SHOPPING CENTERS LOCATED EAST OF THE MISSISSIPPI RIVER. INLAND REAL ESTATE EXCHANGE CORPORATION IS A SUBSIDIARY OF INLAND REAL ESTATE INVESTMENT CORPORATION. INLAND REAL ESTATE EXCHANGE CORPORATION PROVIDES REPLACEMENT PROPERTIES FOR PEOPLE WISHING TO COMPLETE AN IRS SECTION 1031 REAL ESTATE EXCHANGE. ON FEBRUARY 11, 2005, INLAND AMERICAN REAL ESTATE TRUST, INC. FILED A REGISTRATION STATEMENT ON FORM S-11 TO REGISTER 500,000,000 SHARES OF COMMON STOCK AND UP TO 40,000,000 SHARES OF THEIR COMMON STOCK FOR PARTICIPANTS IN THEIR DISTRIBUTION REINVESTMENT PROGRAM. THE REGISTRATION STATEMENT HAS NOT BEEN DECLARED EFFECTIVE BY THE SECURITIES AND EXCHANGE COMMISSION, AND THERE IS NO ASSURANCE WHEN AND IF IT WILL BE DECLARED EFFECTIVE. INLAND AMERICAN REAL ESTATE TRUST, INC. IS AFFILIATED WITH THE INLAND GROUP. INLAND AMERICAN REAL ESTATE TRUST, INC. HAS BEEN FORMED TO ACQUIRE COMMERCIAL REAL ESTATE, PRIMARILY RETAIL PROPERTIES AND MULTI-FAMILY, OFFICE AND INDUSTRIAL BUILDINGS, LOCATED IN THE UNITED STATES AND CANADA. INLAND AMERICAN REAL ESTATE TRUST, INC. MAY INVEST IN THOSE ASSETS DIRECTLY BY PURCHASING THE PROPERTY ALSO KNOWN AS A "FEE INTEREST" OR INDIRECTLY BY PURCHASING INTERESTS, INCLUDING CONTROLLING INTERESTS, IN "REAL ESTATE OPERATING COMPANIES." INLAND AMERICAN REAL ESTATE TRUST, INC. MAY ALSO INVEST IN OTHER REAL ESTATE ASSETS AND ENTITIES OWNING THOSE ASSETS, SUCH AS MORTGAGE LOANS SECURED BY COMMERCIAL REAL ESTATE. Midwest Real Estate Equities, Inc. is not a subsidiary of The Inland Group, Inc or its affiliates but does have some of the same shareholders as The Inland Group, Inc. Midwest Real Estate Equities buys, manages and sells commercial and multi-family property.

THE SECOND BULLET POINT AFTER THE SECOND PARAGRAPH UNDER THE SECTION "CONFLICTS OF INTEREST" WHICH STARTS ON PAGE 4 OF OUR PROSPECTUS HAS BEEN SUPERCEDED IN THE ENTIRETY TO READ AS FOLLOWS:

- substantial compensation payable by us to Inland Securities Corporation, Inland Western Retail Real Estate Advisory Services, Inc., Inland US Management LLC, Inland Southwest Management LLC and Inland Pacific Property Services LLC for their various services which may not be on market terms and is payable, in most cases, whether or not our stockholders receive distributions;

WE HAVE ADDED A FOURTH PARAGRAPH WITH RELATED BULLET POINTS UNDER THE SECTION "CONFLICTS OF INTEREST" WHICH STARTS ON PAGE 4 OF OUR PROSPECTUS TO READ AS FOLLOWS:

If and when Inland American Real Estate Trust, Inc.'s registration statement is declared effective by the Securities and Exchange Commission, conflicts of interest that may arise in connection with the sale of shares and use of the offering's proceeds are as follows:

- competition for the time and attention of management and affiliates that provide services to us, which may limit the amount of time that these people may spend on our matters;

- potentially overlapping fiduciary duties owed by certain affiliated directors sitting on more than one board of directors;

- potentially overlapping fiduciary duties owed by certain directors particularly arising in the potential purchase of shopping or retails centers, and office buildings, located in the United States;

- Inland American Real Estate Trust, Inc. may compete for the same properties we are interested in;

- Inland American Real Estate Trust, Inc. may acquire real estate operating companies that may have been a historical or future source for us to acquire properties from; and

- potential time and effort spent by Inland Securities Corporation on the selling of our securities and their sales effort related to the sales of shares by Inland American Real Estate Trust, Inc.

WE HAVE SUPERCEDED THE FOLLOWING DESCRIPTION LOCATED UNDER THE NONSUBORDINATED PAYMENTS AT THE OPERATIONAL STAGE WITHIN THE TABULAR SUMMARY OF FEES AS DISCUSSED UNDER THE SECTION "COMPENSATION TO BE PAID TO OUR BUSINESS MANAGER/ADVISOR AND AFFILIATES" WHICH STARTS ON PAGE 7 OF OUR PROSPECTUS IN THE ENTIRETY, TO READ AS FOLLOWS:

Property management fee This fee terminates upon a business combination with our property managers.	4.5% of the gross income from the properties (cannot exceed 90% of the fee which would be payable to an unrelated third party). We will pay the fee for services in connection with the rental, leasing, operation and management of the properties. For the year ended December 31, 2004, and the period from March 5, 2003 (inception) to December 31, 2003, we have incurred and paid property management fees of \$5,381,721 and \$16,627, of which \$5,381,721 and \$16,627 were retained by Inland US Management LLC, Inland Southwest Property Management LLC and Inland Pacific Property Services LLC. Actual amounts we will incur in the future cannot be determined at the present time.

ORGANIZATIONAL CHART

THE ORGANIZATIONAL CHART UNDER THIS SECTION; WHICH IS LISTED ON PAGE 3 OF OUR PROSPECTUS IS SUPERCEDED WITH THE FOLLOWING:

The following organizational chart depicts the services that affiliates or our sponsor will render to us and our organizational structure.

[CHART]

ORGANIZATIONAL CHART

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                  Daniel L. Goodwin*        Robert H.          G. Joseph          Robert D.
                                              Baum*             Cosenza*            Parks*
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                                  Northwest           Southwest            Western
                                  Management          Management          Management
                                    Corp.               Corp.               Corp.
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                                            Inland Holdco Management LLC
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                                    Management        Property Management   Property Services
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                                (property manager)    (property manager)    (property manager)
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                                       Property Management and Related Services
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                                                        Inland Western Retail Real Estate Trust, Inc.
             We are principally owned by public investors. Ownership is represented by shares o
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              Daniel L. Goodwin*           Robert H.          G. Joseph          Robert D.
                                             Baum*             Cosenza*            Parks*
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                                           THE INLAND GROUP, INC.*
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     The Inland                                         Inland Real
      Services                                 Estate Investment Corporation
    Group, Inc.                                        (our sponsor)
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   Insurance                     Corporation     Estate Advisory Services, Inc.    Property Sa
  Management                                     (our business manager/advisor)     Corporatio
 Services, Inc.
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     Insurance                        |                  |        Estate        Estate          E
      Services                        |                  |     Sales, Inc.   Development   Acquisi
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        |                                     Advisory and Real     |      Development       Ac
        |                                      Estate Services      |       Services          S
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                                         Inland Western Retail Real Estate Trust, Inc.
              We are principally owned by public investors. Ownership is represented by shares
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* The four indicated individuals control The Inland Group, Inc. and own substantially all of its stock.

Double lines indicate 100% ownership.
Single lines indicate service.

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RISK FACTORS

THE SECOND SENTENCE UNDER THE DISCUSSION REGARDING "WE WILL COMPETE WITH REAL ESTATE INVESTMENT PROGRAMS SPONSORED BY COMPANIES AFFILIATED WITH US FOR ACQUISITION OF PROPERTIES AND FOR THE TIME AND SERVICES OF PERSONNEL " WHICH STARTS ON PAGE 13 OF OUR PROSPECTUS HAS BEEN MODIFIED TO READ AS FOLLOWS:

These affiliated companies include Inland Real Estate Corporation, Inland Retail Real Estate Trust, Inc., Inland Real Estate Exchange Corporation, Inland American Real Estate Trust, Inc., and other entities to be formed by The Inland Group.

THE DISCUSSION REGARDING "WE DEPEND ON OUR BOARD OF DIRECTOR, BUSINESS MANAGER/ADVISOR AND PROPERTY MANAGERS AND LOSING THOSE RELATIONSHIPS COULD NEGATIVELY AFFECT OUR OPERATIONS " WHICH STARTS ON PAGE 19 OF OUR PROSPECTUS HAS BEEN SUPERCEDED IN THE ENTIRETY TO READ AS FOLLOWS:

WE DEPEND ON OUR BOARD OF DIRECTORS, BUSINESS MANAGER/ADVISOR AND PROPERTY MANAGERS AND LOSING THOSE RELATIONSHIPS COULD NEGATIVELY AFFECT OUR OPERATIONS. Our board of directors has supervisory control over all aspects of our operations. Our ability to achieve our investment objectives will depend to a large extent on the board's ability to oversee, and the quality of, the management provided by the business manager/advisor, the property managers, their affiliates and employees for day-to-day operations. Therefore, we depend heavily on the ability of the business manager/advisor and its affiliates to retain the services of each of its executive officers and key employees. However, none of these individuals has an employment agreement with the business manager/advisor or its affiliates. The loss of any of these individuals could have a material adverse effect on us. These individuals include Daniel L. Goodwin, Robert H. Baum, G. Joseph Cosenza, Robert D. Parks, Thomas P. McGuinness, Roberta S. Matlin and Brenda G. Gujral.

On February 11, 2005, Inland American Real Estate Trust, Inc. filed a registration statement on Form S-11 to register 500,000,000 shares of common stock and up to 40,000,000 shares of their common stock for participants in their distribution reinvestment program. The registration statement has not been declared effective by the Securities and Exchange Commission, and there is no assurance when and if it will be declared effective. Specific conflicts of interest between us and Inland American Real Estate Trust, Inc include:

- competition for the time and attention of management and affiliates that provide services to us, which may limit the amount of time that these people may spend on our matters;

- potentially overlapping fiduciary duties owed by certain affiliated directors sitting on more than one board of directors; and

- potentially overlapping fiduciary duties owed by certain directors particularly arising in the potential purchase of shopping or retail centers, and office buildings, located in the United States.

Our business manager/advisor must reimburse us for certain operational stage expenses exceeding 15% of the gross offering proceeds. If the business manager/advisor's net worth or cash flow is not sufficient to cover these expenses, we will not be reimbursed.

THE DISCUSSION REGARDING "THERE ARE CONFLICTS OF INTEREST BETWEEN US AND OUR AFFILIATES" WHICH STARTS ON PAGE 19 OF OUR PROSPECTUS HAS BEEN SUPERCEDED IN THE ENTIRETY TO READ AS FOLLOWS:

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THERE ARE CONFLICTS OF INTEREST BETWEEN US AND OUR AFFILIATES. Our operation and management may be influenced or affected by conflicts of interest arising out of our relationship with our affiliates. Our business manager/advisor and its affiliates are or will be engaged in other activities that will result in potential conflicts of interest with the services that the business manager/advisor and affiliates will provide to us. Those affiliates could take actions that are more favorable to other entities than to us. The resolution of conflicts in favor of other entities could have a negative impact on our financial performance. These affiliates include Inland Retail Real Estate Trust, Inc., Inland Western Retail Real Estate Advisory Services, Inc., our business manager/advisor, Inland Real Estate Corporation, Inland Real Estate Exchange Corporation, and Inland American Real Estate Trust, Inc., and entities to be formed by The Inland Group, Inc. Inland Real Estate Corporation is a publicly traded REIT that is self-administered and generally purchases shopping centers located in the Midwest. Inland Retail Real Estate Trust, Inc. is self-administered and generally purchases shopping centers located east of the Mississippi River. Inland Real Estate Exchange Corporation is a subsidiary of Inland Real Estate Investment Corporation. Inland Real Estate Exchange Corporation provides replacement properties for people wishing to complete an IRS Section 1031 real estate exchange. On February 11, 2005, Inland American Real Estate Trust, Inc. filed a registration statement on Form S-11 to register 500,000,000 shares of common stock and up to 40,000,000 shares of their common stock for participants in their distribution reinvestment program. The registration statement has not been declared effective by the Securities and Exchange Commission, and there is no assurance when and if it will be declared effective. Inland American Real Estate Trust, Inc. is affiliated with The Inland Group. Inland American Real Estate Trust, Inc. has been formed to acquire commercial real estate, primarily retail properties and multi-family, office and industrial buildings, located in the United States and Canada. Inland American Real Estate Trust, Inc. may invest in those assets directly by purchasing the property also known as a "fee interest" or indirectly by purchasing interests, including controlling interests, in "real estate operating companies." Inland American Real Estate Trust, Inc. may also invest in other real estate assets and entities owning those assets, such as mortgage loans secured by commercial real estate. Our business manager/advisor receives fees based on the book value including acquired intangibles of the properties under management. Specific conflicts of interest between us and our affiliates include:

- We may acquire properties from affiliates of our sponsor in transactions in which the price will not be the result of arm's length negotiations. The prices we pay to affiliates of our sponsor for our properties will be equal to the prices paid by them, plus the costs incurred by them relating to the acquisition and financing of the properties. These prices will not be the subject of arm's length negotiations, which could mean that the acquisitions may be on terms less favorable to us than those negotiated in an arm's-length transaction. Inland American Real Estate Trust, Inc. may acquire real estate operating companies that may have been a historical or future source for us to acquire properties from, which could create a conflict of interest for us. In addition, Inland American Real Estate

Trust, Inc.'s offering, when it becomes effective could potentially negatively impact arm's length negotiations due to overlapping fiduciary duties owed by certain directors particularly arising in the potential purchase of shopping or retails centers, and office buildings, located in the United States. The result of these transactions could cause us to pay more for particular properties than we would have in an arm's length transaction and therefore, adversely affect our cash flow and our ability to pay your distributions.

- WE MAY PURCHASE REAL PROPERTIES FROM PERSONS WITH WHOM OUR BUSINESS MANAGER/ADVISOR OR ITS' AFFILIATES HAVE PRIOR BUSINESS RELATIONSHIPS AND OUR INTERESTS IN THESE BUSINESS RELATIONSHIPS MAY BE DIFFERENT FROM THE INTERESTS OF OUR BUSINESS MANAGER/ADVISOR OR ITS AFFILIATES IN THESE BUSINESS RELATIONSHIPS. We may purchase properties from third parties who have sold properties in the past, or who may sell properties

in the future, to our business manager/advisor or its affiliates. Inland American Real Estate Trust, Inc. may acquire real estate operating companies that may have been a historical or future source for acquiring properties, which could create a conflict of interest for our company. If we purchase properties from these third parties, our business manager/advisor will experience a conflict between our current interests and its interest in preserving any ongoing business relationship with these sellers. This could result in our business manager/advisor or its affiliates recommending properties that may be in the best interest of the third party seller, but not our best interest. This could adversely impact our portfolio by causing us to invest in properties that are not necessarily in our best interest.

- OUR BUSINESS MANAGER/ADVISOR AND ITS AFFILIATES RECEIVE COMMISSIONS, FEES AND OTHER COMPENSATION BASED UPON OUR INVESTMENTS AND THEREFORE OUR BUSINESS MANAGER/ADVISOR AND ITS AFFILIATES MAY RECOMMEND THAT WE MAKE INVESTMENTS IN ORDER TO INCREASE THEIR COMPENSATION. Our business manager/advisor and its affiliates receive commissions, fees and other compensation based upon our investments. They benefit by us retaining ownership of our assets and leveraging our assets, while you may be better served by sale or disposition or not leveraging the assets. In addition, our business manager/advisor's ability to receive fees and reimbursements depends on our continued investment in properties and in other assets which generate fees. Our business manager/advisor receives fees based on the book value including acquired intangibles of the properties under management. Our property managers receive fees based on the income from properties under management. Therefore, our business manager/advisor and/or property managers may recommend that we purchase properties that generate fees for our business manager/advisor and property managers, but are not necessarily the most suitable investment for our portfolio. In addition, our affiliates, who receive fees, including our business manager/advisor, may recommend that we acquire properties, which may result in our incurring substantive amounts of indebtedness. Therefore, the interest of our business manager/advisor and its affiliates in receiving fees may conflict with our ability to earn income and may result in our incurring substantive amounts of indebtedness. The resolution of this conflict of interest may adversely impact our cash flow and our ability to pay your distributions.

- OUR BUSINESS MANAGER/ADVISOR MAY HAVE CONFLICTING FIDUCIARY OBLIGATIONS IF WE ACQUIRE PROPERTIES WITH ITS AFFILIATES. Our business manager/advisor may cause us to acquire an interest in a property through a joint venture with its affiliates. In these circumstances, our business manager/advisor will have a fiduciary duty to both us and its affiliates participating in the joint venture. Inland American Real Estate Trust, Inc. may acquire real estate operating companies that may have been a historical or future source for acquiring properties, which could create a conflict of interest for us. In addition, Inland American Real Estate Trust, Inc.'s offering, when it becomes effective could potentially negatively impact arm's length negotiations due to overlapping fiduciary duties owed by certain directors particularly arising in the potential purchase of shopping or retails centers, and office buildings, located in the United States. The resolution of this conflict of interest may cause the business manager/advisor to sacrifice our best interest in favor of the seller of the property and therefore, we may enter into a transaction that is not in our best interest. The resolution of this conflict of interest may negatively impact our financial performance.

- THERE IS COMPETITION FOR THE TIME AND SERVICES OF OUR BUSINESS MANAGER/ADVISOR AND OUR BUSINESS MANAGER/ADVISOR MAY NOT DEDICATE THE TIME NECESSARY TO MANAGER OUR BUSINESS. We rely on our business manager/advisor and its affiliates for our daily operation and the management of our assets. Our officers and other personnel of our business manager/advisor and its affiliates have conflicts in allocating their management time, services and functions

among the real estate investment programs they currently service and any future real estate investment programs or other business ventures which they may organize or serve. Those personnel could take actions that are more favorable to other entities than to us. Inland American Real Estate Trust, Inc. will compete with us for the time and attention of management and affiliates that provide services to us, which may limit the amount of time that these people may spend on our matters. The resolution of conflicts in favor of other entities could have a negative impact on our financial performance.

- INLAND SECURITIES CORPORATION IS PARTICIPATING AS MANAGING DEALER IN THE SALE OF THE SHARES. Inland Securities Corporation is our managing dealer of this offering and is affiliated with The Inland Group. Our managing dealer is entitled to selling commissions and reimbursement for marketing and due diligence expenses. Our managing dealer may be subject to a conflict of interest arising out of its participation in this offering and its affiliation with The Inland Group in performing its "due diligence" obligations which arise under the Securities Act of 1933. When it becomes effective, Inland American Real Estate Trust, Inc.'s offering could negatively affect time and effort spent on our capital raise and sales effort due to the efforts related to the sales of shares offered by Inland American Real Estate Trust, Inc. These personnel could spend more time and attention in Inland American Real Estate Trust, Inc.'s offering. The resolution of this conflict of interest could have a negative impact on our financial performance.

- WE MAY ACQUIRE THE BUSINESS OF OUR BUSINESS MANAGER/ADVISOR AND OUR PROPERTY MANAGERS WITHOUT FURTHER ACTION BY OUR STOCKHOLDERS. During the term of our agreements with our business manager/advisor and our property managers, we have the option to acquire or consolidate the business conducted by them without any consent of our stockholders, our business manager/advisor or our property managers. We may elect to exercise this right at any time after September 15, 2008. This unfettered discretion could cause us to take action that otherwise we would not be able to do, and therefore could have a negative impact on our financial performance.

- WE DO NOT HAVE ARM'S-LENGTH AGREEMENTS, WHICH COULD CONTAIN TERMS WHICH ARE NOT IN OUR BEST INTEREST. As we have noted, our agreements and arrangements with our business manager/advisor or any of its affiliates, including those relating to compensation, are not the result of arm's length negotiations. These agreements may contain terms that our not in our best interest and would not otherwise be applicable if we entered into arm's-length agreements. See "Conflicts of Interest" for a discussion of various conflicts of interest.

HOW WE OPERATE

THE THIRD AND FOURTH PARAGRAPH UNDER THIS HEADING WHICH STARTS ON PAGE 34 OF OUR PROSPECTUS IS SUPERCEDED IN THE ENTIRETY TO READ AS FOLLOWS:

In addition to the services of our business manager/advisor, we contract with Inland US Management LLC, Inland Southwest Management LLC and Inland Pacific Property Services LLC for their services as our property managers. Inland US Management LLC, Inland Southwest Management LLC and Inland Pacific Property Services LLC provide the day-to-day property management services for all of our properties.

Our sponsor, Inland Real Estate Investment Corporation, is owned by The Inland Group, Inc. Our business manager/advisor Inland Western Retail Real Estate Advisory Services, Inc., is owned by our sponsor, and thus is indirectly controlled by The Inland Group. In addition, our property managers,

Inland US Management LLC, Inland Southwest Management LLC and Inland Pacific Property Services LLC, are owned by individuals who are affiliates of the Inland Group.

CONFLICTS OF INTEREST

THE SECOND PARAGRAPH UNDER THIS HEADING WHICH STARTS ON PAGE 36 OF OUR PROSPECTUS IS SUPERCEDED IN THE ENTIRETY TO READ AS FOLLOWS:

THERE MAY BE CONFLICTING INVESTMENT OPPORTUNITIES AMONG AFFILIATES OF OUR BUSINESS MANAGER/ADVISOR AND THE INLAND GROUP. Affiliates of our business manager/advisor and The Inland Group have sponsored multiple previous investment programs. Our sponsor may also sponsor other programs which may have investment objectives similar to ours. On February 11, 2005, Inland American Real Estate Trust, Inc. filed a registration statement on Form S-11 to register 500,000,000 shares of common stock and up to 40,000,000 shares of their common stock for participants in their distribution reinvestment program. The registration statement has not been declared effective by the Securities and Exchange Commission, and there is no assurance when and if it will be declared effective. Inland American Real Estate Trust, Inc. is affiliated with The Inland Group. When it becomes effective, Inland American Real Estate Trust, Inc.'s offering could negatively affect time and effort spent on our capital raise and sales effort due to a lower initial distribution rate offered by Inland American Real Estate Trust, Inc. Therefore, our sponsor, our business manager/advisor and their affiliates could face conflicts of interest in determining which investment programs will have the first opportunity to acquire real properties and other assets as they become available.

WE HAVE ADDED A SIXTH PARAGRAPH UNDER THIS HEADING WHICH STARTS ON PAGE 36 OF

OUR PROSPECTUS TO READ AS FOLLOWS:

Inland American Real Estate Trust, Inc. has been formed to acquire commercial real estate, primarily retail properties and multi-family, office and industrial buildings, located in the United States and Canada. Inland American Real Estate Trust, Inc. may invest in those assets directly by purchasing the property also known as a "fee interest" or indirectly by purchasing interests, including controlling interests, in "real estate operating companies." Inland American Real Estate Trust, Inc. may also invest in other real estate assets and entities owning those assets, such as mortgage loans secured by commercial real estate. If and when Inland American Real Estate Trust, Inc.'s registration statement is declared effective by the Securities and Exchange Commission, conflicts of interest that may arise in connection with the sale of shares and use of the offering's proceeds are as follows:

- competition for the time and attention of management and affiliates that provide services to us, which may limit the amount of time that these people may spend on our matters;

- potentially overlapping fiduciary duties owed by certain affiliated directors sitting on more than one board of directors;

- potentially overlapping fiduciary duties owed by certain directors particularly arising in the potential purchase of shopping or retails centers, and office buildings, located in the United States;

- Inland American Real Estate Trust, Inc. may compete for the same properties we are interested in;

- Inland American Real Estate Trust, Inc. may acquire real estate operating companies that may have been a historical or future source for us to acquire properties from; and

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- potential time and effort spent by Inland Securities Corporation on the selling of our securities and their sales effort due to a the effort related to the sales of shares offered by Inland American Real Estate Trust, Inc.

THE SIXTH PARAGRAPH UNDER THIS HEADING WHICH STARTS ON PAGE 36 OF OUR PROSPECTUS IS SUPERCEDED IN THE ENTIRETY AND BECOMES THE SEVENTH PARAGRAPH AND SHOULD READ AS FOLLOWS:

We currently focus on purchase of properties in the states west of the Mississippi River. We have acquired and will continue to acquire properties east of the Mississippi River. If and when Inland American Real Estate Trust, Inc.'s registration statement is declared effective by the Securities and Exchange Commission, conflicts of interest may arise in connection with the sale of shares and use of the offering's proceeds. Those conflicts of interest are discussed above. However, if any conflicts do arise, they will be resolved as provided in the agreement with our business manager/advisor discussed above.

THE NINTH THROUGH FIFTEENTH PARAGRAPHS UNDER THIS HEADING WHICH STARTS ON PAGE 36 OF OUR PROSPECTUS IS SUPERCEDED IN THE ENTIRETY SHOULD READ AS FOLLOWS:

WE MAY ACQUIRE PROPERTIES FROM AFFILIATES OF OUR SPONSOR. The prices we pay to affiliates of our sponsor for these properties will be equal to the prices paid by them, plus the costs incurred by them relating to the acquisition and financing of the properties. These prices will not be the subject of arm's length negotiations, which could mean that the acquisitions may be on terms less favorable to us than those negotiated in an arm's-length transaction. Inland American Real Estate Trust, Inc. may acquire real estate operating companies that may have been a historical or future source for acquiring properties, which could create a conflict of interest for our company. In addition, Inland American Real Estate Trust, Inc.'s offering, when it becomes effective could potentially negatively impact arm's length negotiations due to overlapping fiduciary duties owed by certain directors particularly arising in the potential purchase of shopping or retails centers, and office buildings, located in the United States. However, our articles of incorporation provide that the purchase price of any property acquired from an affiliate may not exceed its fair market value as determined by a competent independent appraiser. In addition, the price must be approved by a majority of our directors who have no financial interest in the transaction. If the price to us exceeds the cost paid by our affiliate, there must be substantial justification for the excess cost.

WE MAY PURCHASE REAL PROPERTIES FROM PERSONS WITH WHOM AFFILIATES OF OUR BUSINESS MANAGER/ADVISOR HAVE PRIOR BUSINESS RELATIONSHIPS. We may purchase properties from third parties who have sold properties in the past, or who may sell properties in the future, to our business manager/advisor or its affiliates. Inland American Real Estate Trust, Inc. may acquire real estate operating companies that may have been a historical or future source for acquiring properties, which could create a conflict of interest for our company. If we purchase properties from these third parties, our business manager/advisor will experience a conflict between our current interests and its interest in preserving any ongoing business relationship with these sellers. Nevertheless, our business manager/advisor has a fiduciary obligation to us.

PROPERTY MANAGEMENT SERVICES ARE BEING PROVIDED BY COMPANIES OWNED PRINCIPALLY BY AFFILIATES OF THE INLAND GROUP. Our property managers, which are owned principally by individuals who are our affiliates, provide property management services to us pursuant to management services agreements which we can terminate only in the event of gross negligence or willful misconduct on the part of the property managers. However, our property management services agreements provide that we pay our property managers a monthly management fee of no greater than 90% of the fee which would be payable to an unrelated third party providing such services. In addition, the business manager/advisor and the property

managers believe that the property managers have sufficient personnel and other required resources to discharge all responsibilities to us. Inland American Real Estate Trust, Inc. will compete with us for the time and attention of management and affiliates that provide services to us, which may limit the amount of time that these people may spend on our matters.

OUR BUSINESS MANAGER/ADVISOR AND ITS AFFILIATES RECEIVE COMMISSIONS, FEES AND OTHER COMPENSATION BASED UPON OUR INVESTMENTS. We believe that the compensation we will pay to our business manager/advisor and its affiliates is no more than what we would pay for similar services performed by independent firms. Some compensation is payable whether or not there is cash available to make distributions to our stockholders. To the extent this occurs, our business manager/advisor and its affiliates benefit from us retaining ownership of our assets and leveraging our assets, while our stockholders may be better served by sale or disposition or not leveraging the assets. In addition, the business manager/advisor's ability to receive fees and reimbursements depends on our continued investment in properties and in other assets which generate fees. Our business manager/advisor receives fees based on the book value including acquired intangibles of the properties under management. Our property managers receive fees based on the income from properties under management. Therefore, our business manager/advisor and/or property managers may recommend that we purchase properties that generate fees for our business manager/advisor and property managers, but are not necessarily the most suitable investment for our portfolio. In addition, our affiliates, who receive fees, including our business manager/advisor, may recommend that we acquire properties, which may result in our incurring substantive amounts of indebtedness. Therefore, the interest of the business manager/advisor and its affiliates in receiving fees may conflict with the interest of our stockholders in earning income on their investment in our common stock. Our business manager/advisor and its affiliates recognize that they have a fiduciary duty to us and our stockholders, and have represented to us that their actions and decisions will be made in the manner most favorable to us and our stockholders.

While we will not make loans to our business manager/advisor or its affiliates, we may borrow money from them for various purposes, including funding working capital requirements. If we do, the terms, such as the interest rate, security, fees and other charges, will be at least as favorable to us as those which would be charged by unaffiliated lending institutions in the same locality on comparable loans. Any money borrowed from an affiliate of The Inland Group is expected to be repaid within 180 days.

Our business manager/advisor and its affiliates may do business with others who do business with us, although presently there are no instances of this. However, our business manager/advisor or its affiliates may not receive rebates or participate in any reciprocal business arrangements which would have the effect of circumventing our agreement with our business manager/advisor.

OUR BUSINESS MANAGER/ADVISOR MAY HAVE CONFLICTING FIDUCIARY OBLIGATIONS IF WE ACQUIRE PROPERTIES WITH ITS AFFILIATES. Our business manager/advisor may cause us to acquire an interest in a property through a joint venture with its affiliates. Inland American Real Estate Trust, Inc. may acquire real estate operating companies that may have been a historical or future source for acquiring properties, which could create a conflict of interest for our company. In addition, Inland American Real Estate Trust, Inc.'s offering, when it becomes effective could potentially negatively impact arm's length negotiations due to overlapping fiduciary duties owed by certain directors particularly arising in the potential purchase of shopping or retails centers, and office buildings, located in the United States. In these circumstances, our business manager/advisor will have a fiduciary duty to both us and its affiliates participating in the joint venture. In order to minimize the conflict between these fiduciary duties, the advisory agreement provides guidelines for investments in joint ventures with affiliates. In addition, our articles of incorporation require a majority of our disinterested directors to determine that the transaction is fair and reasonable to us and is on terms and conditions no less favorable than from unaffiliated third parties entering into the venture.

THERE IS COMPETITION FOR THE TIME AND SERVICES OF OUR BUSINESS MANAGER/ADVISOR. We rely on our business manager/advisor and its affiliates for our daily operation and the management of our assets. Personnel of our business manager/advisor and its affiliates have conflicts in allocating their management time, services and functions among the real estate investment programs they currently service and any future real estate investment programs or other business ventures which they may organize or serve. Our business manager/advisor and its affiliates believe they have enough staff to perform their responsibilities in connection with all of the real estate programs and other business ventures in which they are involved. Inland American Real Estate Trust, Inc. will compete with us for the time and attention of management and affiliates that provide services to us, which may limit the amount of time that these people may spend on our matters.

INLAND SECURITIES CORPORATION IS PARTICIPATING AS MANAGING DEALER IN THE SALE OF THE SHARES. Inland Securities Corporation is the managing dealer of the offering and is affiliated with The Inland Group. The managing dealer is entitled to selling commissions and reimbursement for marketing and due diligence expenses. The managing dealer may be subject to a conflict of interest arising out of its participation in this offering and its affiliation with The Inland Group in performing its "due diligence" obligations which arise under the Securities Act of 1933. However, the managing dealer believes it has and will continue to properly perform these "due diligence" activities. When it becomes effective, Inland American Real Estate Trust, Inc.'s offering could negatively affect time and effort spent on our capital raise and sales effort due to the effort related to the sales of shares by Inland American Real Estate Trust, Inc.

THE THIRD AND FOURTH PARAGRAPHS UNDER THIS HEADING WHICH STARTS ON PAGE 36 OF OUR PROSPECTUS IS SUPERCEDED IN THE ENTIRETY TO READ AS FOLLOWS:

On February 11, 2005, a new property acquisition agreement was entered into between Inland Real Estate Acquisitions, Inc. ("Acquisitions"), Inland Western Retail Real Estate Advisory Services, Inc. ("the Advisor"), and us. The property acquisition agreement grants us an exclusive right of first refusal to acquire each and every Subject Property, as defined in the agreement. A Subject Property is defined as any retail facility, mixed-use property, or a single-user property identified by Acquisitions and located within our market area. Our market area is defined in the agreement as the geographic area located west of the Mississippi in the continental United States but excluding the portion of the geographic area within a four hundred (400) mile radius of Oak Brook, Illinois.

Acquisitions are owned by The Inland Group, and we are sponsored by Inland Real Estate Investment Corporation. Inland Real Estate Investment Corporation and the Advisor are owned by The Inland Group.

The property acquisition agreement previously entered into by the parties dated September 18, 2003 has been terminated accordingly. The new property acquisition agreement is filed as an exhibit to the registration statement of which the prospectus is a part and is incorporated into this filing in its entirety.

COMPENSATION TABLE

WE HAVE SUPERCEDED THE FOLLOWING DESCRIPTION LOCATED UNDER THE NONSUBORDINATED PAYMENTS AT THE OPERATIONAL STAGE WITHIN THE TABULAR SUMMARY OF FEES AS DISCUSSED WHICH STARTS ON PAGE 43 OF OUR PROSPECTUS IN THE ENTIRETY, TO READ AS FOLLOWS:

TYPE OF COMPENSATION AND RECIPIENT	METHOD OF COMPENSATION	ES
Property management fee paid to our property managers, Inland US Management LLC, Inland Southwest Management LLC and Inland Pacific Property Services LLC. We will pay the fee for services in connection with the rental, leasing, operation and management of the properties	We will pay a monthly fee of 4.5% of the gross income from the properties. We will also pay a monthly fee for any extra services equal to no more than 90% of that which would be payable to an unrelated party providing the services. The property managers may subcontract their duties for a fee that may be less than the fee provided for in the management services agreements.	For th 2004 March Dece incur manag and $5,3 ret Mana

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THE DISCUSSION UNDER THIS SECTION "COMPENSATION TO OFFICERS AND DIRECTORS" ON THE DIRECTOR FEES, WHICH STARTS ON PAGE 47 OF OUR PROSPECTUS, SHOULD READ AS FOLLOWS:

Director fees	Independent directors receive an annual fee of $5,000 (increasing to $10,000 effective October 1, 2004) and a fee of $500 for attending each meeting of the board or one of its committees (excluding the audit committee) in person and $350 for attending a meeting via the telephone. Effective December 1, 2004, we pay our audit committee members $750 for each in person audit committee meeting and $500 for each audit committee meeting attended by telephone. Our officers who are also our directors do not receive director fees.	We will pay the fiv directors $25,000 i (increasing to $50, October 1, 2004), p attending meetings. amounts to be recei meetings depends up meetings and their therefore, cannot b the present time.

PRIOR PERFORMANCE OF OUR AFFILIATES

PRIOR INVESTMENT PROGRAMS

During the 10-year period ending December 31, 2004, The Inland Group and its affiliates have sponsored two other REITs and 34 real estate exchange private placements, which altogether have raised

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more than $3,157,236,000 from over 68,000 investors. During that period, Inland Real Estate Corporation and Inland Retail Real Estate Trust, Inc., the other REITs, have raised over $3,005,648,000 from over 68,000 investors. Inland Real Estate Corporation and Inland Retail Real Estate Trust, Inc. have investment objectives and policies similar to ours and have invested principally in shopping centers that provide sales of convenience goods and personal services to neighboring communities in the Midwest and Southeast areas. However, both Inland Real Estate Corporation and Inland Retail Real Estate Trust, Inc., are now self-administered REITs. Our investment objectives and policies are similar to those of several of the other prior investment programs sponsored by our affiliates which have owned and operated retail properties. However, the vast majority of the other investment programs sponsored by our affiliates were dissimilar from our operation in that the prior programs owned apartment properties, pre-development land and whole or partial interests in mortgage loans.

The information in this section and in the Prior Performance Tables included in this Post-effective amendment as APPENDIX A shows relevant summary information concerning real estate programs sponsored by our affiliates. The purpose is to provide information on the prior performance of these programs so that you may evaluate the experience of the affiliated companies in sponsoring similar programs. The following discussion is intended to briefly summarize the objectives and performance of the prior programs and to disclose any material adverse business developments sustained by them. Past performance is not necessarily indicative of future performance.

SUMMARY INFORMATION

The table below provides summarized information concerning prior programs sponsored by our affiliates for the 10-year period ending December 31, 2004, and is qualified in its entirety by reference to the introductory discussion above and the detailed information appearing in the Prior Performance Tables in APPENDIX A of this post-effective amendment. YOU SHOULD NOT CONSTRUE INCLUSION OF THE SUCCEEDING TABLES AS IMPLYING IN ANY MANNER THAT WE WILL HAVE RESULTS COMPARABLE TO THOSE REFLECTED IN THE TABLES BECAUSE THE YIELD AND CASH AVAILABLE AND OTHER FACTORS COULD BE SUBSTANTIALLY DIFFERENT FOR OUR PROPERTIES. YOU SHOULD NOTE THAT BY ACQUIRING OUR SHARES, YOU WILL NOT BE ACQUIRING ANY INTERESTS IN ANY PRIOR PROGRAMS.

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	INLAND RETAIL REAL ESTATE TRUST, INC. REIT PROGRAM AS OF DECEMBER 31, 2004	INLAND REAL EST CORPORATION REIT PROGRAM AS OF DECEMBER 31, 20
Number of programs sponsored	1	
Aggregate amount raised from investors	$ 2,301,884,000	703,764,
Approximate aggregate number of investors	59,000	9,
Number of properties purchased	276	
Aggregate cost of properties	$ 4,061,050,000	1,326,000,
Number of mortgages/notes	0	
Principal amount of mortgages/notes	0	
Principal of properties (based on cost) that were:		
Commercial--		
Retail	90.00%	86
Single-user retail net-lease	10.00%	14
Nursing homes	0.00%	0
Offices	0.00%	0
Industrial	0.00%	0
Health clubs	0.00%	0
Mini-storage	0.00%	0
Total commercial	100.00%	100
Multi-family residential	0.00%	0
Land	0.00%	0

Percentage of properties (based on cost) that were:		
Newly constructed (within a year of acquisition)	37.00%	40
Existing construction	63.00%	60
Number of properties sold in whole or in part	0	
Number of properties exchanged	0	

Of the programs included in the above table, Inland Real Estate Corporation and Inland Retail Real Estate Trust, Inc. have investment objectives similar to ours. Inland Real Estate Corporation and Inland Retail Real Estate Trust, Inc. represent approximately 97% of the aggregate amount raised from investors, approximately 99% of the aggregate number of investors, approximately 95% of the properties purchased, and approximately 95% of the aggregate cost of the properties.

During the three years prior to December 31, 2004, Inland Real Estate Corporation purchased 27 commercial properties and Inland Retail Real Estate Trust, Inc. purchased 237 commercial properties. Upon written request, you may obtain, without charge, a copy of Table VI filed with the Securities and Exchange Commission in Part II of our post-effective amendment. The table provides more information about these acquisitions.

PUBLICLY REGISTERED REITS

INLAND REAL ESTATE CORPORATION. Through a total of four public offerings, the last of which was completed in 1999, Inland Real Estate Corporation sold a total of 51,642,397 shares of common stock. In addition, as of December 31, 2004, Inland Real Estate Corporation issued 14,467,082 shares of common stock through its distribution reinvestment program. As of December 31, 2004, Inland Real Estate Corporation repurchased 5,256,435 shares of common stock through its share repurchase program for an aggregate amount of $49,159,202. As a result, Inland Real Estate Corporation has realized total gross offering proceeds of

approximately $703,764,000 as of December 31, 2004. On June 9, 2004, Inland Real Estate Corporation listed its shares on the New York Stock Exchange and began trading under the ticker "IRC".

Inland Real Estate Corporation's objective is to purchase shopping centers that provide convenience goods, personal services, wearing apparel and hardware and appliances located within an approximate 400-mile radius of its headquarters in Oak Brook, Illinois, and to provide, at a minimum, cash distributions on a quarterly basis and a hedge against inflation through capital appreciation. It may also acquire single-user retail properties throughout the United States. As of December 31, 2004, the properties owned by Inland Real Estate Corporation were generating sufficient cash flow to cover operating expenses plus pay an annual cash distribution of $0.94 per share paid monthly.

As of December 31, 2004, Inland Real Estate Corporation owned interest in 140 properties for a total investment of approximately $1,325,000,000. These properties were purchased with proceeds received from the above described offerings of shares of its common stock and financings. As of December 31, 2004, Inland Real Estate Corporation financed approximately $599,567,000 on its properties and had $85,000,000 outstanding through an unsecured line of credit.

On July 1, 2000, Inland Real Estate Corporation became a self-administered REIT by completing its acquisition of Inland Real Estate Advisory Service, Inc., its advisor, and Inland Commercial Property Management, Inc., its property manager. The acquisition was accomplished by merging its advisor and its property manager into two wholly owned subsidiaries of Inland Real Estate Corporation. As a result of the merger, Inland Real Estate Corporation issued to our sponsor, the sole shareholder of the advisor, and The Inland Property Management Group, Inc., the sole shareholder of its property manager, an aggregate of 6,181,818 shares of Inland Real Estate Corporation's common stock at $11 per share, or approximately 9.008% of its common stock.

INLAND RETAIL REAL ESTATE TRUST, INC. Through a total of three public offerings, the last of which was completed in 2003, Inland Retail Real Estate Trust, Inc. sold a total of 213,699,534 shares of its common stock. In addition, as of December 31, 2004, Inland Retail Real Estate Trust, Inc. issued 21,278,452 shares through its distribution reinvestment program, and has repurchased a total of 3,367,019 shares through the share reinvestment program. As a result, Inland Retail Real Estate Trust Inc. has realized total net offering proceeds of approximately $2,301,884,000 as of December 31, 2004. On December 29, 2004 Inland Retail Real Estate Trust, Inc., issued 19,700,060 shares as a result of merging with their advisor.

Inland Retail Real Estate Trust, Inc.'s objective is to purchase shopping centers east of the Mississippi River in addition to single-user retail properties in locations throughout the United States, and to provide regular cash distributions and a hedge against inflation through capital appreciation. As of December 31, 2004, the properties owned by Inland Retail Real Estate Trust, Inc. were generating sufficient cash flow to cover operating expenses plus pay an annual cash distribution of $.83 per share per annum paid monthly.

As of December 31, 2004, Inland Retail Real Estate Trust, Inc. owned 276 properties for a total investment of approximately $4,061,050,000. These properties were purchased with proceeds received from the above described offerings of shares of its common stock and financings. As of December 31, 2004, Inland Retail Real Estate Trust, Inc. financed approximately $2,257,842,000 on its properties.

On December 29, 2004, and pursuant to an agreement and plan of merger entered into on September 10, 2004, Inland Retail Real Estate Trust, Inc. (IRRETI) acquired, by merger, four entities affiliated with its former sponsor, Inland Real Estate Investment Corporation, which entities provided business management, advisory and property management services to it. The four entities acquired were Inland Retail Real Estate Advisory Services, Inc., Inland Southern Mangement Corp., Inland Mid-Atlantic Management Corp. and Inland Southeast Property Management Corp. (the acquired companies). Shareholders of the acquired companies received an aggregate of 19,700,060 shares of IRRETI common stock, valued under the merger agreement at $10.00 per share.

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The following table summarizes distributions for each of the publicly registered REITS through December 31,2004:

REIT PERFORMANCE
Distributions through December 31, 2004

INLAND REAL ESTATE CORPORATION
OFFERING COMPLETED 1999

	Average Annualized	Aver Annual

	Total Distribution ($)	Ordinary Income ($) *	Non taxable Distribution ($) **	Capital Gain Distribution ($) ***	Distribution for Purchases at $10 per Share ($)	Distrib for Pur at $11 Sha ($
1995	736,627	694,213	42,414	-	7.6	N/
1996	3,704,943	3,093,525	611,418	-	8.1	N/
1997	13,127,597	9,739,233	3,388,364	-	8.6	N/
1998	35,443,213	27,015,143	8,428,070	-	8.8	7.
1999	48,379,621	35,640,732	12,738,889	-	8.9	8.
2000	52,964,010	40,445,730	12,518,280	-	9.0	8.
2001	58,791,604	45,754,604	12,662,414	374,586	9.3	8.
2002	60,090,685	41,579,944	18,315,640	195,101	9.4	8.
2003	61,165,608	47,254,096	13,577,679	333,833	9.4	8.
2004	62,586,577	53,458,760	7,883,026	1,244,791	9.4	8.
	396,990,485	304,675,980	90,166,194	2,148,311		

INLAND RETAIL REAL ESTATE TRUST, INC.
OFFERING COMPLETED 2003

	Total Distribution ($)	Ordinary Income ($) *	Non Taxable Distribution ($) **	Average Annualized Distribution (%)
1999	1,396,861	318,484	1,078,377	7.2
2000	6,615,454	3,612,577	3,002,877	7.7
2001	17,491,342	10,538,534	6,952,808	8.0
2002	58,061,491	36,387,136	21,674,355	8.2
2003	160,350,811	97,571,099	62,779,712	8.3
2004	190,630,575	110,922,403	79,708,172	8.3
	434,546,534	259,350,233	175,196,301	

ON JUNE 9, 2004 INLAND REAL ESTATE CORPORATION LISTED ITS SHARES ON THE NEW YORK STOCK EXCHANGE AND BEGAN TRADING UNDER THE SYMBOL "IRC."

* The breakout between ordinary income and return of capital is finalized on an annual basis after the calendar year end.
** Represents a return of capital for federal income tax purposes.
*** Represents a capital gain distribution for federal income tax purposes.

PRIVATE PARTNERSHIPS

Since our inception and through December 31, 2004, our affiliates have sponsored 514 private placement limited partnerships which have raised more than $524,201,000 from approximately 17,000 investors and invested in properties for an aggregate price of more than $1 billion in cash and notes. Of the 522 properties purchased, 93% have been in Illinois. Approximately 90% of the funds were invested in apartment buildings, 6% in shopping centers, 2% in office buildings and 2% in other properties. Including sales to affiliates, 475 partnerships have sold their original property investments. Officers and employees of our sponsor and its affiliates invested more than $17,000,000 in these private placement limited partnerships.

From October 1, 1995 through December 31, 2004, investors in The Inland Group private partnerships have received total distributions in excess of $269,026,000, consisting of cash flow from partnership operations, interest earnings, sales and refinancing proceeds and cash received during the course of property exchanges.

Following a proposal by the former corporate general partner, which was an affiliate of The Inland Group, investors in 301 private partnerships voted in 1990 to make our sponsor the corporate general partner for those partnerships.

Beginning in December 1993 and continuing into the first quarter of 1994, investors in 101 private limited partnerships for which our sponsor is the general partner received letters from it informing them of the possible opportunity to sell the 66 apartment properties owned by those partnerships to a to-be-formed REIT in which affiliates of our sponsor would receive stock and cash and the limited partners would receive cash. The underwriters of this apartment REIT subsequently advised our sponsor to sell to a third party its management and general partner's interests in those remaining limited partnerships not selling their apartment properties to the apartment REIT. Those not selling their apartment properties constituted approximately 30% of the Inland-sponsored limited partnerships owning apartment buildings. The prospective third-party buyers of our sponsor's interests in the remaining partnerships, however, would make no assurance to support those partnerships financially. As a result, in a March 1994 letter, our sponsor informed investors of its decision not to go forward with the formation of the apartment REIT.

Following this decision, two investors filed a complaint in April 1994 in the Circuit Court of Cook County, Illinois, Chancery Division, purportedly on behalf of a class of other unnamed investors, alleging that our sponsor had breached its fiduciary responsibility to those investors whose partnerships would have sold apartment properties to the apartment REIT. The complaint sought an accounting of information regarding the apartment REIT matter, an unspecified amount of damages and the removal of our sponsor as general partner of the partnerships that would have participated in the sale of properties. In August 1994, the court granted our sponsor's motion to dismiss, finding that the plaintiffs lacked standing to bring the case individually. The plaintiffs were granted leave to file an amended complaint. Thereafter, in August 1994, six investors filed an amended complaint, purportedly on behalf of a class of other investors, and derivatively on behalf of six limited partnerships of which our sponsor is the general partner. The derivative counts sought damages from our sponsor for alleged breach of fiduciary duty and breach of contract, and asserted a right to an accounting. Our sponsor filed a motion to dismiss in response to the amended complaint. The suit was dismissed in March 1995 with prejudice. The plaintiffs filed an appeal in April 1996. After the parties briefed the issue, arguments were heard by the Appellate Court in February 1997. In September 1997, the Appellate Court affirmed the trial court decision in favor of our sponsor.

Inland Real Estate Investment Corporation is the general partner of twenty-seven private limited partnerships and one public limited partnership that own corporate interests in fifteen buildings that are net leased to Kmart. The fourteen Kmarts owned by the private limited partnerships are all cross collateralized. Relating to the Kmart bankruptcy, the status of the fifteen is as follows:

CATEGORY 1 - The leases of nine of the Kmarts are current and have been accepted by Kmart under their Chapter 11 reorganization plan.

CATEGORY 2 - Kmart assigned its designation rights in one lease to Kohl's. The lease was amended and extended for Kohl's by IREIC, the general partner on behalf of the owners and lender; and Kohl's began paying rent February 12, 2003.

CATEGORY 3 - Under Kmart's Chapter 11 reorganization plan and upon emergence from bankruptcy on April 22, 2003, Kmart has rejected the remaining four property leases, one of which is subject to a ground lease to Kimco. Kmart ceased paying rent as of May 1, 2003.

IREIC, the corporate general partner has agreed with the note holders who own the loan to conduct a liquidation of the 14 properties which comprise Categories 1, 2 and 3. The Category 2 property, which is leased by Kohl's, was sold on February 19, 2004. As of December 31, 2004, seven of the Category 1 K-Mart properties have been sold and the remaining two are under contract. Two of the Category 3 properties have been sold, one is under contract and one has an offer pending as of December 31, 2004.

CATEGORY 4 - Under Kmart's Chapter 11 reorganization, Kmart rejected the lease for the property owned by the public limited partnership and ceased paying rent as of June 29, 2002. The corporate general partner plans to either re-tenant or sell this facility.

1031 EXCHANGE PRIVATE PLACEMENT OFFERING PROGRAM

In March of 2001, Inland Real Estate Exchange Corporation (IREX) was established as a subsidiary of Inland Real Estate Investment Corporation. The main objective of IREX is to provide replacement properties for people wishing to complete an IRS Section 1031 real estate exchange. Through December 31, 2004, IREX offered the sale of 34 properties with a total property value of $404,899,000.

LANDINGS OF SARASOTA DBT. Inland Southern Acquisitions, Inc., a Delaware corporation and an affiliate of IREX acquired The Landings, a multi-tenant shopping center located in Sarasota, Florida in December 1997 for $9,800,000. In August 2001, Inland Southern Acquisitions, Inc. contributed 100% of its interest in the property into Landings of Sarasota DBT, a Delaware business trust, refinanced the property with a loan of $8,000,000 from Parkway Bank & Trust Co., an Illinois banking corporation, and began offering all of its beneficial interests in the trust to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price was $12,000,000, which consisted of $8,000,000 in debt assumption and $4,000,000 in equity investment. $200,000 of the offering proceeds were allocated to a property reserve account. The offering was completed in May 2002 when the maximum offering amount was raised.

SENTRY OFFICE BUILDING, DBT, a Delaware business trust, purchased a newly constructed, single-tenant office building in Davenport, Iowa in December 2001 from Ryan Companies US Inc., a Minnesota corporation. The trust financed its acquisition of the property with a $7,500,000 first mortgage loan from Parkway Bank & Trust Co., an Illinois banking corporation. In January 2002, Sentry Office Building Corporation, a Delaware corporation and the initial beneficiary of the trust, began offering all of its beneficial interests in the trust to certain qualified persons in need of replacement properties to complete a

1031 tax-deferred exchange. The total price was $11,000,000, which consisted of $7,500,000 in debt assumption and $3,500,000 in equity investment. $100,000 of the offering proceeds obtained from the new owners was allocated to a property reserve account. The offering was completed in April 2002 when the maximum offering amount was raised.

PETS BOWIE DELAWARE BUSINESS TRUST purchased a single-tenant retail building leased to PETsMART in Bowie, Maryland in October 2001 from PETsMART, Inc. and Wells Fargo Bank Northwest, N.A. The trust initially financed its acquisition of the property with a temporary loan of $2,625,305 from Parkway Bank & Trust Co., an Illinois banking corporation, and then replaced this loan with a permanent loan of $1,300,000 with the same lender. In May 2002, Pets Bowie Delaware Business Trust began offering all of its beneficial interests to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price was $3,900,000, which consisted of $1,300,000 in debt assumption and $2,600,000 in equity investment. $90,000 of the offering proceeds obtained from the new owners was allocated to a property reserve account. The offering was completed in July 2002 when the maximum offering amount was raised.

1031 CHATTANOOGA DBT, a Delaware business trust, acquired a retail property currently leased to Eckerd in Chattanooga, Tennessee in May 2002. The trust financed the property with a loan of $1,500,000 from Parkway Bank & Trust Co., an Illinois banking corporation. In July 2002, 1031 Chattanooga, L.L.C., the initial beneficiary of 1031 Chattanooga DBT, began offering all of the beneficial interests of the trust to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price was $3,400,000, which consisted of $1,500,000 in debt assumption and $1,900,000 in equity investment. The offering was completed in May 2003 when the maximum offering amount was raised.

LANSING SHOPPING CENTER, DBT a Delaware business trust, purchased a newly constructed, multi-tenant retail shopping center in Lansing, Illinois in June 2002 from LaSalle Bank National Association, as trustee under trust agreement dated May 22, 2001 and known as Trust No. 127294. The trust financed its acquisition of the property with a $5,900,000 first mortgage loan from Parkway Bank & Trust Co., an Illinois banking corporation. In August 2002, Lansing Shopping Center, L.L.C., a Delaware limited liability company and the initial beneficiary of Lansing Shopping Center, DBT, began offering all of the beneficial interests of the trust to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price was $10,900,000, which consisted of $5,900,000 in debt assumption and $5,000,000 in equity investment. $80,000 of the offering proceeds was allocated to a property reserve account. The offering was completed in September 2001 when the maximum offering amount was raised.

INLAND 220 CELEBRATION PLACE DELAWARE BUSINESS TRUST purchased a single-tenant office building currently leased to Walt Disney World Co., a Florida corporation, in Celebration, Osceola County, Florida, in June 2002 from Walt Disney World Co. in a sale/leaseback transaction. The trust financed its acquisition of the property with an $18,000,000 first mortgage loan from Bank of America, N.A., a national banking association. In September 2002, Inland 220 Celebration Place, L.L.C., a Delaware limited liability company and the initial beneficiary of Inland 220 Celebration Place Delaware Business Trust, began offering all of the beneficial interests of the trust to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price was $33,800,000, which consisted of $18,000,000 in debt assumption and $15,800,000 in equity investment. $50,000 of the offering proceeds was allocated to a property reserve account. The offering was completed in September 2003 when the maximum offering amount was raised.

TAUNTON CIRCUIT DELAWARE BUSINESS TRUST acquired a retail property currently leased to Circuit City in Taunton, Massachusetts in July 2002. The Trust financed the property with a first mortgage of

$2,800,000 from MB Financial Bank. In September 2002, Inland Taunton Circuit, L.L.C., the initial beneficiary of Taunton Circuit Delaware Business Trust, offered all of its interest in the trust to a qualified person in need of a replacement property to complete a 1031 tax-deferred exchange. The total price was $6,550,000, which consisted of $2,800,000 in debt assumption and $3,750,000 in equity investment. The offering was completed in September 2002.

BROADWAY COMMONS DELAWARE BUSINESS TRUST acquired a multi-tenant retail center located in Rochester, Minnesota, in July 2002. The Trust financed the property with a first mortgage of $8,850,000 from Parkway Bank & Trust Co., an Illinois banking corporation. In October 2002, Broadway Commons, L.L.C., the initial beneficiary of Broadway Commons Delaware Business Trust, began offering all of its beneficial interests in the trust to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price was $17,250,000, which consisted of $8,850,000 in debt assumption and $8,400,000 in equity investment. $100,000 of the offering proceeds was allocated to a property reserve account. The offering was completed in December 2003 when the maximum offering amount was raised.

BELL PLAZA 1031, LLC. REHAB ASSOCIATES XIII, INC., an Illinois corporation and an affiliate of IREX acquired Bell Plaza, a multi-tenant shopping center in Oak Lawn, IL on August 28, 1998 for $1,675,000. In October 2002, Rehab Associates XIII contributed 100% of its interest in the property into Bell Plaza 1031, LLC, a Delaware single member limited liability company, and then offered all of its membership interests in Bell Plaza, LLC to North Forsyth Associates, a North Carolina general partnership, which was in need of a replacement property to complete a 1031 tax-deferred exchange. The total price was $4,030,000, which consisted of $3,140,000 in debt assumption and $890,000 in equity investment. $25,000 of the offering proceeds was allocated to a property reserve account. The offering was completed in November 2002.

INLAND 210 CELEBRATION PLACE DELAWARE BUSINESS TRUST purchased a single-tenant office building, currently leased to Walt Disney World Co., a Florida corporation, in Celebration, Osceola County, Florida, in June 2002 from Walt Disney World Co .in a sale/leaseback transaction. The trust financed its acquisition of the property with a $5,700,000 first mortgage loan from Bear Stearns Commercial Mortgage, Inc. In January 2003, Inland 210 Celebration Place Delaware Business Trust sold its fee simple interest in 210 Celebration Place to Old Bridge Park Celebration, LLC, a Delaware limited liability company, which was in need of a replacement property to complete a 1031 tax-deferred exchange. The total price was $12,000,000, which consisted of $5,700,000 in debt assumption and $6,300,000 in equity investment.

COMPUSA RETAIL BUILDING. Lombard C-USA, L.L.C., a Delaware limited liability company, purchased a single-tenant retail building leased to CompUSA, Inc. in Lombard, Illinois in January 2003 from an unrelated third party. The L.L.C. financed its acquisition of the property with a $4,000,000 loan from Bear Stearns Commercial Mortgage, Inc. In April 2003, Lombard C-USA, L.L.C. began offering 99% of the undivided tenant-in-common interests in the real estate and improvements thereon located at 2840 S. Highland Avenue, Lombard, DuPage County, Illinois for $3,910,500 in cash plus the assumption of the existing indebtedness to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price was $7,950,000, which consisted of $4,000,000 in debt assumption and $3,950,000 in equity investment. As required by the lender, Lombard C-USA, L.L.C. shall retain at least a 1% tenant-in-common interest, which is included in the $3,950,000 equity investment. $75,000 of the offering proceeds was allocated to a property reserve account. The offering was completed in February 2004 when the maximum offering amount was raised.

DEERE DISTRIBUTION FACILITY IN JANESVILLE, WISCONSIN. Janesville 1031, L.L.C., a Delaware limited liability company, purchased a single-tenant, light industrial distribution center leased to Deere &

Company, a Delaware corporation, in Janesville, Wisconsin in February 2003 from Ryan Janesville, L.L.C., a Minnesota corporation and an affiliate of Ryan Companies US, Inc. The L.L.C. financed its acquisition of the property with a $10,450,000 loan from Bear Stearns Commercial Mortgage, Inc. In May 2003, Janesville 1031, L.L.C. began offering 99% of the undivided tenant-in-common interests in the real estate and improvements thereon located at 2900 Beloit Avenue, Janesville, Rock County, Wisconsin for $9,949,500 in cash plus the assumption of the existing indebtedness to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price, $20,500,000, consisted of $10,450,000 in debt assumption and $10,050,000 in equity investment, 1% of which was required by the lender to be retained by Janesville 1031, L.L.C. $100,000 of the offering proceeds was allocated to a property reserve account. The offering was completed in January 2004 when the maximum offering was raised.

FLEET OFFICE BUILDING. Westminster Office 1031, L.L.C., a Delaware limited liability company, purchased a single-tenant office building leased entirely to Fleet National Bank, a national banking association, in Providence, Rhode Island in April 2003 from Fleet National Bank in a sale/leaseback transaction. The L.L.C. financed its acquisition of the property with a $12,900,000 loan from Bear Stearns Commercial Mortgage, Inc. In June 2003, Westminster Office 1031, L.L.C. began offering 99% of the undivided tenant-in-common interests in the real estate and improvements thereon located at 111 Westminster Street, Providence, Providence County, Rhode Island for $9,900,000 in cash plus the assumption of the existing indebtedness to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price, $22,900,000, consisted of $12,900,000 in debt assumption and $10,000,000 in equity investment, 1% of which was required by the lender to be retained by Westminster Office 1031, L.L.C. $150,000 of the offering proceeds was allocated to a property reserve account. The offering was completed in January 2004 when the maximum offering was raised.

DEERE DISTRIBUTION FACILITY IN DAVENPORT, IOWA. Davenport 1031, L.L.C., a Delaware limited liability company, purchased a single-tenant, light industrial distribution center leased to Quad Cities Consolidation and Distribution, Inc., an Illinois corporation, in Davenport, Iowa in April 2003 from Ryan Companies US, Inc., a Minnesota corporation. The lease is fully guaranteed by Deere & Company, a Delaware corporation. The L.L.C. financed its acquisition of the property with a loan from Bear Stearns Commercial Mortgage, Inc. In August 2003, Davenport 1031, L.L.C. began offering 99% of the undivided tenant-in-common interests in the real estate and improvements thereon located at 2900 Research Parkway, Davenport, Scott County, Iowa for $15,543,000 in cash plus the assumption of the existing indebtedness to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price, $28,200,000, consisted of $12,500,000 in debt assumption and $15,700,000 in equity investment, 1% of which was required by the lender to be retained by Davenport 1031, L.L.C. $100,000 of the offering proceeds was allocated to a property reserve account. The offering was completed in April 2004 when the maximum offering was raised.

GRAND CHUTE DST, a Delaware statutory trust, purchased a multi-tenant retail shopping center in Grand Chute, Wisconsin in October 2002 from Continental 56 Fund Limited Partnership. The trust funded the acquisition of the property with cash from the sale of 100% of the beneficial interests in the trust to Grand Chute, L.L.C., a Delaware limited liability company. Subsequent to the acquisition of the property, the trust obtained a $5,678,350 loan from Bank of America, N.A. and the proceeds of the loan were distributed to Grand Chute, L.L.C. as a partial return of its capital contribution. In January 2003, Grand Chute, L.L.C. began offering all of its beneficial interests in the trust to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price was $12,048,350 which consisted of $5,678,350 in debt assumption and $6,370,000 in equity investment. $478,350 of the offering proceeds was allocated to four separate property reserve accounts, three of which were required by the lender. In September 2003, certain information in the offering was amended and

supplemented through the release of the First Supplement to Private Placement Memorandum. The offering was completed in March 2004 when the maximum offering amount was raised.

MACON OFFICE DST, a Delaware statutory trust, purchased a single-tenant office complex in Macon, Georgia in October 2002 from UTF Macon, L.L.C. The trust funded the acquisition of the property with cash from the sale of 100% of the beneficial interests in the trust to Macon Office, L.L.C., a Delaware limited liability company. Subsequent to the acquisition of the property, the trust obtained a $5,560,000 loan from Bank of America, N.A. and the proceeds of the loan were distributed to Macon Office, L.L.C. as a partial return of its capital contribution. In October 2003, Macon Office, L.L.C. began offering all of its beneficial interests in the trust to certain qualified persons seeking a cash investment, in addition to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price was $12,160,000 which consisted of $5,560,000 in debt assumption and $6,600,000 in equity investment. $100,000 of the offering proceeds was allocated to a property reserve account. The offering was completed in March 2004 when the maximum offering amount was raised.

WHITE SETTLEMENT ROAD INVESTMENT, LLC, a Delaware limited liability company, acquired a retail property currently leased to Eckerd Corporation in Fort Worth, Texas in July 2003. The LLC funded the acquisition of the property with cash from an affiliate and with a short-term loan from Parkway Bank and Trust Co., an Illinois banking corporation, in the amount of $2,041,000. In November 2003, Fort Worth Exchange, LLC, a Delaware limited liability company and initial beneficiary of White Settlement Road Investment, LLC, offered its entire membership interest in the LLC to a qualified person in need of a replacement property to complete a 1031 tax-deferred exchange. The total price was $2,840,000, which consisted of $1,420,000 in debt assumption and $1,420,000 in equity investment. The offering was completed in December 2003. Simultaneous with the completion of the offering, the short-term loan with Parkway was converted to a permanent loan and the terms of the loan documents were modified in accordance with a loan commitment from Parkway.

PLAINFIELD MARKETPLACE. Plainfield 1031, L.L.C., a Delaware limited liability company, purchased a multi-tenant shopping center located in Plainfield, IL on December 16, 2003 from Ryan Companies US, Inc., a Minnesota corporation. The L.L.C. financed its acquisition of the property with a loan from Bear Stearns Commercial Mortgage, Inc, a New York corporation. In January 2004, Plainfield 1031, L.L.C. began offering 99% of the undivided tenant-in-common interests in the real estate and improvements thereon located at 11840 South Route 59, Plainfield, Will County, Illinois for $12,350,250 in cash plus the assumption of the existing indebtedness to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price, $24,400,000, consisted of $11,925,000 in debt assumption and $12,475,000 in equity investment, 1% of which was required by the lender to be retained by Plainfield 1031, L.L.C. The difference between the real estate acquisition price of $21,700,000 and the total price of $24,400,000 consists of $950,000 acquisition fee, $150,000 for a property reserve account, and $1,600,000 of estimated costs and expenses. The offering was completed in June 2004 when the maximum offering amount was raised.

PIER 1 RETAIL CENTER. Butterfield-Highland 1031, L.L.C., a Delaware limited liability company, purchased a multi-tenant retail shopping center on December 30, 2003 from the beneficiary of Trust No. 2314, an unrelated third party, which trust was held by North Side Community Bank as Trustee under the Trust Agreement dated December 12, 2003. The L.L.C. financed its acquisition of the property with a loan from Bear Stearns Commercial Mortgage, Inc, a New York corporation. In March 2004, Butterfield-Highland 1031, L.L.C. began offering 99% of the undivided tenant-in-common interests in the real estate and improvements thereon located at 2830 S. Highland Avenue, Lombard, Illinois for $4,257,000 in cash plus the assumption of the existing indebtedness to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price, $8,150,000, consisted of $3,850,000 in debt assumption and $4,300,000 in equity investment, a minimum of 1% of which is required by the

lender to be retained by Butterfield-Highland 1031, L.L.C. The difference between the real estate acquisition price of $7,025,000 and the total price of $8,150,000 consists of $350,000 acquisition fee, $100,000 for a property reserve account, and $675,000 of estimated costs and expenses. The offering was completed in June 2004 when the maximum offering amount was raised.

LONG RUN 1031, L.L.C. LR 1031, L.L.C., a Delaware limited liability company, purchased a multi-tenant retail shopping center on January 27, 2003 from Ryan Lemont, L.L.C., the third party seller and developer of the property. The L.L.C. financed its acquisition of the property with cash and, on April 24, 2003, placed a loan on the Property in the amount of $4,700,000 from Principal Commercial Funding, LLC. In June 2004, LR 1031, L.L.C. a Delaware limited liability company and initial beneficiary of Long Run 1031, L.L.C offered its entire membership interest in the LLC to a qualified person in need of a replacement property to complete a 1031 tax-deferred exchange. The total price was $4,960,000 in cash plus the assumption of the existing indebtedness to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price, $9,660,000 consisted of $4,700,000 in debt assumption and $4,960,000 in equity investment. The difference between the real estate acquisition price of $8,500,000 and the total price of $9,660,000 consists of $451,347 acquisition fee, $50,000 for a property reserve account, and $658,653 of estimated costs and expenses. The offering was completed in June 2004 when the maximum offering amount was raised.

FORESTVILLE 1031, L.L.C. Forestville Exchange, L.L.C., a Delaware limited liability company, purchased a single-tenant retail shopping center on November 13, 2003 from Silver Hill, L.L.C., a North Carolina limited liability company, the property's developer. The L.L.C. financed its acquisition of the property with cash. In May 2004, Forestville Exchange, L.L.C. a Delaware limited liability company and initial beneficiary of Forestville 1031, L.L.C offered its entire membership interest in the LLC to a qualified person in need of a replacement property to complete a 1031 tax-deferred exchange. The total price, $3,900,000 consisted of $1,793,630 in mortgage financing from Parkway Bank and Trust Co., and $2,106,370 in equity investment. The difference between the real estate acquisition price of $3,450,000 and the total price of $3,900,000 consists of $172,500 acquisition fee and $277,500 of estimated costs and expenses. The offering was completed in May 2004 when the maximum offering amount was raised.

BED, BATH & BEYOND RETAIL CENTER. BBY Schaumburg 1031, L.L.C., a Delaware limited liability company, purchased a multi-tenant retail shopping center on April 20, 2004 from the American Real Estate Holdings, L.P. a Delaware limited partnership, an unrelated third party. The L.L.C. financed its acquisition of the property with a loan from Bear Stearns Commercial Mortgage, Inc, a New York corporation. In June 2004, BBY Schaumburg 1031, L.L.C. began offering 99% of the undivided tenant-in-common interests in the real estate and improvements thereon located at 905-915 East Golf Road, Schaumburg, Illinois for $6,633,000 in cash plus the assumption of the existing indebtedness to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price, $12,605,000, consisted of $6,905,000 in debt assumption and $5,700,000 in equity investment, 1% of which was required by the lender to be retained by BBY Schaumburg 1031, L.L.C. The difference between the real estate acquisition price of $11,655,110 and the total price of $13,605,000 consists of $600,000 acquisition fee, $400,000 for property reserve accounts, and $949,890 of estimated costs and expenses. The offering was completed in October 2004 when the maximum offering amount was raised.

CROSS CREEK COMMONS SHOPPING CENTER. Cross Creek 1031, L.L.C., a Delaware limited liability company, purchased a multi-tenant retail shopping center on February 17, 2004 from Buckley Shuler Real Estate, L.L.C., a Georgia limited liability company, an unrelated third party. The L.L.C. financed its acquisition of the property with cash and subsequently placed a loan from Bear Stearns Commercial Mortgage on the property. In March 2004, Cross Creek 1031, L.L.C. began offering 99% of the undivided tenant-in-common interests in the real estate and improvements thereon located at 10920-10948 Cross Creek Boulevard, Tampa, Florida for $6,930,000 in cash plus the assumption of the existing

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indebtedness to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. As of June 30, 2004 the L.L.C. had raised $2,788,000. The total price, $12,078,762, consisted of $5,078,762 in debt assumption and $7,000,000 in equity investment, 1% of which was required by the lender to be retained by Cross Creek 1031, L.L.C. The difference between the real estate acquisition price of $10,319,583 and the total price of $12,078,762 consists of $520,000 acquisition fee, $150,000 for a property reserve account, and $1,089,179 of estimated costs and expenses. The offering was completed in August 2004 when the maximum offering amount was raised.

BJ'S SHOPPING CENTER EAST SYRACUSE, NEW YORK. BJS Syracuse 1031, L.L.C., a Delaware limited liability company, purchased a multi-tenant retail shopping center on April 30, 2004 from the American Real Estate Holdings, L.P. a Delaware limited partnership, an unrelated third party. The L.L.C. financed its acquisition of the property with a loan and cash. In June 2004, BJS Syracuse 1031, L.L.C. began offering 99% of the undivided tenant-in-common interests in the real estate and improvements thereon located at 2-4 Chevy Drive, East Syracuse, New York for $8,365,500 in cash plus the assumption of the existing indebtedness to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price of the purchase was $15,850,000. The total price, $15,850,000, consisted of $7,400,000 in debt assumption and $8,450,000 in equity investment, 1% of which was required by the lender to be retained by BJS Syracuse 1031, L.L.C. The difference between the real estate acquisition price of $13,500,000 and the total price of $15,850,000 consists of $675,000 acquisition fee, $150,000 for a property reserve account, and $1,525,000 of estimated costs and expenses. The offering was completed in October 2004 when the maximum offering amount was raised.

BARNES & NOBLE RETAIL CENTER CLAY, NEW YORK. Clay 1031, L.L.C., a Delaware limited liability company, purchased a multi-tenant retail shopping center on April 15, 2004 from the Clay First Associates, L.L.C., an unrelated third party. The L.L.C. financed its acquisition of the property with an assumed mortgage and note for $3,175,000 and cash. In June 2004, Clay 1031, L.L.C. began offering 99% of the undivided tenant-in-common interests in the real estate and improvements thereon located at 3954-3956 Route 31, Clay, New York for $3,930,300 in cash plus the assumption of the existing indebtedness to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price, $7,145,000, consisted of $3,175,000 in debt assumption and $3,970,000 in equity investment, 1% of which was required by the lender to be retained by BJS Syracuse 1031, L.L.C. The difference between the real estate acquisition price of $6,100,000 and the total price of $7,145,000 consists of $305,000 acquisition fee, $100,000 for a property reserve account, and $640,000 of estimated costs and expenses. The offering was completed in February 2005 when the maximum offering amount was raised.

PORT RICHEY 1031, L.L.C. Port Rickey Exchange, L.L.C., a Delaware limited liability company, purchased a multi-tenant retail shopping center on January 30, 2004 from Land Capital Group, Inc., an unrelated third party. The L.L.C. financed its acquisition of the property with cash and, on February 25, 2004, placed a loan on the Property in the amount of $2,900,000 from Bear Stearns Commercial Mortgage, Inc. In July 2004, Port Richey Exchange, L.L.C., a Delaware limited liability company and initial beneficiary of Port Richey 1031, L.L.C. offered its entire membership interest in the LLC to a qualified person in need of a replacement property to complete a 1031 tax-deferred exchange. The total price, $5,975,000 consisted of $2,900,000 in debt assumption and $3,075,000 in equity investment. The difference between the real estate acquisition price of $5,250,000 and the total price of $5,975,000 consists of $262,500 acquisition fee and $437,500 of estimated costs and expenses and $25,000 for a property reserve account. The offering was completed in July 2004 when the maximum offering amount was raised.

WALGREENS STORE HOBART INDIANA. Hobart 1031, L.L.C., a Delaware limited liability company, purchased a single-tenant retail shopping center on June 10, 2004 from C. Hobart, L.L.C., an unrelated

third party. The L.L.C. financed its acquisition of the property with cash. In July 2004, Hobart 1031, L.L.C. began offering 99% of the undivided tenant-in-common interests in the real estate and improvement thereon located at 732 West Old Ridge Road, Hobart, Indiana for $6,534,000 in cash to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price, $6,534,000 consists of an equity investment, 1% of which will be retained by Hobart 1031, L.L.C. The difference between the real estate acquisition price of $5,575,000 and the total price of $6,534,000 consists of $235,000 acquisition fee, $50,000 for a property reserve account, and $740,000 of estimated costs and expenses. The offering was completed in February 2005 when the maximum offering amount was raised.

KRAFT COLD STORAGE FACILITY, MASON CITY, IOWA. Mason City 1031, L.L.C., a Delaware limited liability company, purchased a single-tenant light industrial building on June 2, 2004 from MDG Iowa, L.P., an unrelated third party. The L.L.C. financed its acquisition of the property with a mortgage and note for $5,333,000 and cash. In July 2004, Mason City 1031, L.L.C. began offering 99% of the undivided tenant-in-common interests in the real estate and improvements thereon located at 904 - 12th Street, Mason City Iowa for $5,610,330 in cash plus the assumption of the existing indebtedness to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price, $11,000,000 consisted of $5,333,000 in debt assumption and

$5,667,000 in equity investment, 1% of which was required by the lender to be retained by Mason City 1031, L.L.C. The difference between the real estate acquisition price of $9,550,000 and the total price of $11,000,000 consists of $480,000 acquisition fee, $100,000 for a property reserve account, environmental insurance credit of $50,000 and $820,000 of estimated costs and expenses. The offering was completed in December 2004 when the maximum offering amount was raised.

HUNTINGTON SQUARE PLAZA, NEW YORK. Huntington Square 1031, L.L.C., a Delaware limited liability company, purchased a multi-tenant retail shopping center on July 16, 2004 from Starwood Ceruzzi Commack, L.L.C., an unrelated third party. The L.L.C. financed its acquisition of the property with an assumed first mortgage and note for $19,150,000, a junior loan in the amount of $6,180,000 and cash. On August 30, 2004, Huntington Square 1031, L.L.C. began offering 99% of the undivided tenant-in-common interests in the real estate and improvement thereon located at 3124 East Jericho Turnpike, New York for $20,050,000 in cash plus the assumption of the existing first mortgage indebtedness to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price, $39,200,000 consisted of $19,150,000 in debt assumption and $20,050,000 in equity investment, 1% of which was required by the lender to be retained by Huntington Square 1031, L.L.C. The difference between the real estate acquisition price of $24,821,392 and the total price of $39,200,000 consists of $1,500,000 acquisition fee, $150,000 for a property reserve account and $2,728,608 of estimated costs and expenses. The offering is currently selling.

BEST BUY STORE, REYNOLDSBURG, OHIO. Reynoldsburg 1031, L.L.C., a Delaware limited liability company, purchase a single-tenant retail shopping center on August 5, 2004 from NOCA Retail Development Limited, an unrelated third party. The L.L.C. financed its acquisition of the property with a loan from Bear Stearns Commercial Mortgage, Inc., a New York corporation for $4,950,000 and cash. In June 2004, Reynoldsburg 1031, L.L.C. began offering 99% of the undivided tenant-in-common interests in the real estate and improvements thereon located at 2872 Taylor Road, Reynoldsburg, Ohio for $5,395,000 in cash plus the assumption of the existing indebtedness to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price, $10,345,000 consisted of $4,950,000 in debt assumption and $5,395,000 in equity investment, 1% of which was required by the lender to be retained by Reynoldsburg 1031, L.L.C. The difference between the real estate acquisition price of $9,000,000 and the total price of $10,345,000 consists of $450,000 acquisition fee, $100,000 for a property reserve account, and $795,000 of estimated costs and expenses. The offering was completed in February 2005 when the maximum offering amount was raised.

DEERE & COMPANY DISTRIBUTION FACILITY IN JEFFERSON CITY, TENNESSEE. Jefferson City 1031, L.L.C., a Delaware limited liability company, purchased a free-standing industrial distribution facility from Flat Gap Road L.L.C. The property is fully leased by Deere & Company, a Delaware corporation. The L.L.C. financed its acquisition of the property with a loan from LaSalle Bank National Association. In December 2004, Jefferson City 1031, L.L.C. began offering 99% of the undivided tenant-in-common interests in the real estate and improvements thereon located at 1400 Flat Gap Road, Jefferson City, Jefferson County, Tennessee for $10,973,000 in cash plus the assumption of the existing indebtedness to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price, $20,735,000, consisted of $9,762,000 in debt assumption and $10,973,000 in equity investment, 1% of which was required by the lender to be retained by Jefferson City 1031, L.L.C. The difference between the real estate acquisition price of $17,750,000 and the total price of $20,735,000 consists of $1,300,000 acquisition fee and market value adjustment, $100,000 for a property reserve account and $1,585,000 of estimated costs and expenses. As of December 31, 2004 there were no investors.

INDIANAPOLIS ENTERTAINMENT 1031, L.L.C. Indianapolis Entertainment Exchange, L.L.C., a Delaware limited liability company purchased a single tenant restaurant on April 20, 2004 from American Real Estate Holdings Limited Partnership, a Delaware limited partnership, an unrelated third party. The L.L.C. financed its acquisition of the property with cash and, on June 30, 2004, placed a loan on the property in the amount of $1,061,000 from Bear Stearns Commercial Mortgage, Inc. In October 2004, Indianapolis Entertainment Exchange, L.L.C., a Delaware limited liability company and initial beneficiary of Indianapolis Entertainment 1031, L.L.C., offered its entire membership interest in the LLC to certain qualified persons in need of a replacement property to complete a 1031 tax-deferred exchange. The total price, $2,190,000, consisted of $1,061,000 in debt assumption and $1,129,000 in equity investment. The difference between the real estate acquisition price of $1,929,316 and the total price of $2,190,000 consists of $95,000 acquisition fee and $165,684 of estimated costs and expenses. The offering was completed in October 2004 when the maximum offering amount was raised.

MOBILE ENTERTAINMENT 1031, L.L.C. Indianapolis Entertainment Exchange, L.L.C., a Delaware limited liability company purchased a single tenant restaurant on April 20, 2004 from American Real Estate Holdings Limited Partnership, a Delaware limited partnership, an unrelated third party. The L.L.C. financed its acquisition of the property with cash and, on June 30, 2004, placed a loan on the property in the amount of $770,000 from Bear Stearns Commercial Mortgage, Inc. In October 2004, Indianapolis Entertainment Exchange, L.L.C., a Delaware limited liability company and initial beneficiary of Indianapolis Entertainment 1031, L.L.C., offered its entire membership interest in the LLC to certain qualified persons in need of a replacement property to complete a 1031 tax-deferred exchange. The total price, $1,578,000, consisted of $770,000 in debt assumption and $808,000 in equity investment. The difference between the real estate acquisition price of $1,400,632 and the total price of $1,578,000 consists of $42,000 acquisition fee and $135,365 of estimated costs and expenses. The offering was completed in October 2004 when the maximum offering amount was raised.

KOHL'S STORE IN STOUGHTON, MASSACHUSETTS. Stoughton 1031, L.L.C., a Delaware limited liability company, purchased a free standing retail building on August 13, 2004 from Koffler/GID Stoughton, LLC, an unrelated third party. The L.L.C. financed its acquisition of the property with a loan from Bear Stearns Commercial Mortgage, Inc. for $12,063,000 and cash. In October 2004, Stoughton 1031, L.L.C. began offering 99% of the undivided tenant-in-common interests in the real estate and improvements thereon located at 501 Technology Center Drive, Stoughton, Norfolk County, Massachusetts for $10,187,000 in cash plus the assumption of the existing indebtedness to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price, $19,950,000, consisted of $9,763,000 in debt assumption and $10,187,000 in equity investment, 1% of which was required by the lender to be retained by Stoughton 1031, L.L.C. The difference between the real estate

acquisition price of $17,650,000 and the total price of $19,950,000 consists of $775,000 acquisition fee, $100,000 for a property reserve account and $1,425,000 of estimated costs and expenses. The offering is currently selling.

The following summary table describes the fees and expenses incurred by each of our entities in our 1031 Exchange Private Placement Offering Project.

	Landings of Sarasota DBT	Sentry Office Building DBT	Pets Bowie DBT	1031 Chattanooga DBT	Lan Sho Ce D
Commissions & Fees(1)	Up to 8.5%	Up to 8.5%	Up to 8.5%	Up to 8.5%	Up t
Selling Commission To 3rd Party Reps	6.00%	6.00%	6.00%	6.00%	
Due Diligence Fee	0.50%	0.50%	0.50%	0.50%	
Marketing Expenses	1.00%	1.50%	1.50%	1.50%	
Offering & Organization	1.00%	0.50%	0.50%	0.50%	
Mortgage Broker Fee (IMC)(2)	0.50%	0.50%	0.50%	0.50%	
Acquisition Fee & Carrying Costs(3)					
Acquisition Fee	N/A	0.71%	0.77%	0.90%	
Bridge Financing Fees	N/A	N/A	1.49%	0.50%	
Total Load(4)	11.25%-12.75%	14.23%	13.68%	14.39%	
Asset Management Fees(5)	N/A	0.75%	1.00%	0.56%	
Property Management Fees(6)	4.5%	5.0%	Paid by Asset Mgr.	5.0%	
Backend Sales Commission	3.5%	3.5%	3.5%	3.5%	

	Taunton Circuit DBT	Broadway Commons DBT	Bell Plaza 1031 LLC	Inland 210 Celebration Place DBT	Com Re Bui L
Commissions & Fees(1)	Up to 8.0%	Up to 8.77%	Up to 9.19%	Up to 5.27%	Up to
Selling Commission To 3rd Party Reps	6.00%	6.00%	6.00%	3.81%	
Due Diligence Fee	0.50%	0.50%	0.50%	0.00%	
Marketing Expenses	1.00%	1.00%	1.00%	0.50%	
Offering & Organization	0.50%	1.27%	1.69%	0.96%	
Mortgage Broker Fee (IMC)(2)	0.61%	0.50%	0.50%	0.50%	
Acquisition Fee & Carrying Costs(3)					
Acquisition Fee	0.69%	0.75%	N/A	0.89%	
Bridge Financing Fees	0.07%	0.23%	N/A	0.23%	
Total Load(4)	11.89%	12.98%	23.02%	10.52%	
Asset Management Fees(5)	0.57%	N/A	0.53%	0.53%	
Property Management Fees(6)	4.0%	5.0%	5.0%	4.5%	
Backend Sales Commission	N/A	N/A	3.5%	N/A	

Fleet Office	Davenport Deere Distribution		Macon

	Building 1031 LLC	Facility 1031 LLC	Grand Chute DST	Office DST
Commissions & Fees(1)	Up to 8.52%	Up to 8.42%	Up to 8.82%	Up to 8.52%
Selling Commission To 3rd Party Reps	6.00%	6.00%	6.00%	6.00%
Due Diligence Fee	0.50%	0.50%	0.50%	0.50%
Marketing Expenses	1.00%	1.00%	1.00%	1.00%
Offering & Organization	1.02%	0.92%	1.32%	1.02%
Mortgage Broker Fee (IMC)(2)	0.50%	0.71%	0.50%	0.50%
Acquisition Fee & Carrying Costs(3)				
Acquisition Fee	0.85%	0.77%	0.84%	0.72%
Bridge Financing Fees	0.35%	0.72%	0.13%	0.81%
Total Load(4)	14.57%	13.18%	12.96%	14.24%
Asset Management Fees(5)	0.49%	0.50%	0.66%	0.66%
Property Management Fees(6)	4.5%	4.5%	5.0%	4.5%
Backend Sales Commission	N/A	NA	NA	NA

	Pier 1 Retail Center 1031 LLC	Long Run 1031 LLC	Forestville 1031 LLC	Bed, Bath & Beyond 1031 LLC
Commissions & Fees(1)	Up to 8.73%	Up to 8.37%	Up to 8.40%	Up to 8.70%
Selling Commission To 3rd Party Reps	6.00%	5.84%	5.54%	6.00%
Due Diligence Fee	0.50%	0..49%	0.46%	0.50%
Marketing Expenses	1.00%	0.97%	0.93%	1.00%
Offering & Organization	1.23%	1.07%	1.46%	1.20%
Mortgage Broker Fee (IMC)(2)	0.50%	0.47%	0.43%	0.55%
Acquisition Fee & Carrying Costs(3)				
Acquisition Fee	4.29%	5.31%	5.00%	5.15%
Bridge Financing Fees	0.94%			
Total Load(4)	23.84%	22.38%	21.34%	23.13%
Asset Management Fees(5)	0.06%	0.20%	0.00%	0.15%
Property Management Fees(6)	5.0%	5.0%	5.0%	5.0%
Backend Sales Commission	NA	NA	NA	N/A

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	Barnes & Noble Retail Center 1031 LLC	Port Richey 1031 LLC	Walgreen Store Hobart 1031 LLC	Kraft Cold Storage Facility 1031 LLC
Commissions & Fees(1)	Up to 8.69%	Up to 8.4%	Up to 8.52%	Up to 8.75%
Selling Commission To 3rd Party Reps	6.00%	5.55%	6.00%	6.00%
Due Diligence Fee	0.50%	0.46%	0.50%	0.50%
Marketing Expenses	1.00%	0.93%	1.00%	1.00%

Offering & Organization	1.19%	1.46%	1.02%	1.25%
Mortgage Broker Fee (IMC)(2)	0.50%	0.43%	N/A	0.50%
Acquisition Fee & Carrying Costs(3)				
Acquisition Fee	5.00%	5.00%	4.22%	5.03%
Bridge Financing Fees	0.49%	0.56%	1.25%	0.56%
Total Load(4)	23.80%	22.80%	14.77%	22.94%
Asset Management Fees(5)	0.13%	0.08%	0.08%	0.05%
Property Management Fees(6)	5.0%	5.0%	4.5%	4.5%
Backend Sales Commission	NA	N/A	N/A	N/A

	Jefferson City 1031 LLC	Stoughton 1031 LLC	Mobile Entertainment 1031 LLC	Indianapolis Entertainment 1031 LLC
Commissions & Fees(1)	Up to 8.63%	Up to 8.61%	Up to 9.88%	Up to 9.07%
Selling Commission To 3rd Party Reps	6.00%	6.00%	5.86%	5.82%
Due Diligence Fee	0.50%	0.50%	0.49%	0.48%
Marketing Expenses	1.00%	1.00%	0.98%	0.97%
Offering & Organization	1.13%	1.11%	2.56%	1.80%
Mortgage Broker Fee (IMC)(2)	0.61%	0.56%	0.50%	0.50%
Acquisition Fee & Carrying Costs(3)				
Acquisition Fee	7.32%	4.39%	3.00%	4.92%
Bridge Financing Fees	0.30%	0.42%	0.73%	0.73%
Total Load(4)	16.25%	21.60%	12.66%	23.09%
Asset Management Fees(5)	0.09%	0.10%	0.37%	0.27%
Property Management Fees(6)	2.9%	2.9%	2.9%	2.9%
Backend Sales Commission	N/A	N/A	N/A	N/A

(1) Commissions and fees are calculated as a percentage of the equity portion of each deal.

(2) The Mortgage Broker Fee is calculated as a percentage of the debt portion of each deal.

(3) Acquisition & Carrying Costs are calculated as a percentage of the real estate acquisition price.

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(4) The Total Load is calculated as a percentage of the equity portion of each deal. The Total Load includes the Commissions & Fees, Mortgage Broker Fee, Acquisition Fee & Carrying Costs, as well as any other non-affiliated third party expenses.

(5) Asset Management Fees are calculated as a percentage of the value of the assets under management. However, for The Landings and Broadway Commons, which are both Master Lease deals, the Master Tenant Income is the residual cash flow from the Property after payment of the Master Lease Rent. As a result, it is not possible to accurately represent the Master Tenant Income as a percentage of the value of the assets under management.

(6) Property Management Fees are calculated as a percentage of Gross Income from the property.

The following additional fees are the same for each deal:

Loan Servicing Fee - IMSC will be compensated with a monthly fee equal to the outstanding principal balance of the loan at the beginning of every month multiplied by 1/8% then divided by 12. This figure, however shall never exceed $10,000, nor be less than $1,200 monthly.

Termination Fees - (i) MASTER LEASE: 8.333% of the last 12 Months of NOI less Rent payments for the same 12 months multiplied by the number of months remaining on the then-current term of the Master Lease and (ii) ASSET & PROPERTY MANAGEMENT AGREEMENTS: The sum of the current monthly AM & PM fees times the number of months remaining on the term.

The following table summarizes cash distributions to investors for each of the 1031 Exchange Private Placement Offering Projects through December 31, 2004:

1031 EXCHANGE PERFORMANCE
DISTRIBUTIONS THROUGH DECEMBER 31, 2004

Name of Entity	Number of Investors	Offering Equity ($)	Offering Completed ($)	Distributions To Date ($)	2001 Annual Distribution (%)	Dis
Landings of Sarasota DBT	9	4,000,000	05/2002	967,036	8.00	
Sentry Office Building DBT	7	3,500,000	04/2002	838,352		
Pets Bowie DBT	7	2,600,000	07/2002	583,006		
1031 Chattanooga DBT	9	1,900,000	05/2002	396,165		
Lansing Shopping Center DBT	5	5,000,000	09/2001	966,308		
Inland 220 Celebration Place DBT	35	15,800,000	09/2003	2,461,974		
Taunton Circuit DBT	1	3,750,000	09/2002	678,650		
Broadway Commons DBT	32	8,400,000	12/2003	981,185		
Bell Plaza 1031, LLC	1	890,000	11/2003	254,491		
Inland 210 Celebration Place DBT	1	6,300,000	01/2003	1,020,331		
CompUSA Retail Building, LLC	11	3,950,000	02/2004	386,560		
Janesville Deere Distribution Facility 1031, LLC	35	10,050,000	01/2004	858,827		
Fleet Office Building 1031, LLC	30	10,000,000	01/2004	796,941		
Davenport Deere Distribution Facility 1031, LLC	35	15,700,000	04/2004	1,063,928		
Grand Chute DST	29	5,370,000	03/2004	400,400		
Macon Office DST	29	6,600,000	03/2004	515,838		
White Settlement Road Investment, LLC	1	1,420,000	12/2003	115,084		
Plainfield Marketplace 1031, LLC	31	12,475,000	06/2004	406,197		
Pier 1 Retail Center 1031, LLC	22	4,300,000	06/2004	134,212		
Long Run 1031, LLC	1	4,935,000	05/2004	215,000		
Forestville 1031, LLC	1	3,900,000	05/2004	148,563		
Bed, Bath & Beyond 1031, LLC	19	6,633,000	*	49,536		
Cross Creek Commons 1031, LLC	26	6,930,000	08/2004	122,412		
BJ's Shopping Center 1031, LLC	7	8,365,000	*	8,606		
Barnes & Noble Retail Center 1031, LLC	1	3,930,000	*	1,507		
Port Richey 1031, LLC	1	3,075,000	07/2004	47,330		

Walgreen Store Hobart 1031, LLC	11	6,534,000	*	19,907
Kraft Cold Storage Facility 1031, LLC	19	11,000,000	*	28,440
Huntington Square Plaza 1031, LLC	16	39,200,000	*	-
Best Buy Store Reynoldsburg 1031, LLC	4	10,345,000	*	-
Jefferson City 1031, LLC	0	10,973,000		-
Stoughton 1031, LLC	1	19,950,000		-

Name of Entity	Number of Investors	Offering Equity ($)	Offering Completed ($)	Distributions To Date ($)	2001 Annual Distribution (%)	Dis
Indianapolis Entertainment 1031, LLC	1	2,190,000		-		
Mobile Entertainment 1031, LLC	1	1,578,000	*	-		
		261,543,000		14,466,786		

* Offering was not complete as of December 31, 2004

MANAGEMENT

INLAND AFFILIATED COMPANIES

THE DISCUSSION UNDER THIS SECTION WHICH STARTS ON PAGE 64 OF OUR PROSPECTUS IS MODIFIED AND SUPPLEMENTED BY THE FOLLOWING:

Inland US Management LLC, Inland Southwest Management LLC and Inland Pacific Property Services LLC, our management companies, were formed to segregate responsibility for management of our properties from Inland Property Management companies' growing management portfolio of retail properties. Our property management companies are responsible for collecting rent, leasing, and maintaining the retail properties they manage. These properties are primarily intended to be our properties in our primary geographical area of investment. Our property management companies are owned primarily by individuals who are affiliates of Inland.

WE HAVE ADDED A FOURTEENTH PARAGRAPH, UNDER THIS SECTION ON "INLAND AFFILIATED COMPANIES" WHICH STARTS ON PAGE 64 OF OUR PROSPECTUS TO READ AS FOLLOWS:

On February 11, 2005, Inland American Real Estate Trust, Inc. filed a registration statement on Form S-11 to register 500,000,000 shares of common stock and up to 40,000,000 shares of their common stock for participants in their distribution reinvestment program. The registration statement has not been declared effective by the Securities and Exchange Commission, and there is no assurance when and if it will be declared effective. Inland American Real

Estate Trust, Inc. is affiliated with The Inland Group.

THE BIOGRAPHY UNDER THIS SECTION, WHICH STARTS ON PAGE 67 OF OUR PROSPECTUS, IS MODIFIED AND SUPPLEMENTED BY THE FOLLOWING:

ROBERT D. PARKS is a Director of The Inland Group, Inc. and one of its four original principals; Chairman of Inland Real Estate Investment Corporation, Director of Inland Securities Corporation, and a Director of Inland Investment Advisors, Inc. Mr. Parks is Chairman, Chief Executive Officer, and Affiliated Director of Inland American Real Estate Trust, Inc. and President, Chief Executive Officer and a Director of Inland Real Estate Corporation. He is Chairman, Officer and Director of Inland Retail Real Estate Trust, Inc., and Mr. Parks is Affiliated Director of Inland Real Estate Exchange Corporation.

Mr. Parks is responsible for the ongoing administration of existing investment programs, corporate budgeting and administration for Inland Real Estate Investment Corporation. He oversees and coordinates the marketing of all investments and investor relations.

Prior to joining Inland, Mr. Parks taught in Chicago's public schools. He received his B.A. Degree from Northeastern Illinois University and his M.A. Degree from the University of Chicago. He is a registered Direct Participation Program Limited Principal with the National Association of Securities Dealers. He is a member of the Real Estate Investment Association, the Financial Planning Association, the Foundation for Financial Planning as well as a member of the National Association of Real Estate Investment Trusts (NAREIT).

OUR DIRECTORS AND EXECUTIVE OFFICERS

THE BIOGRAPHIES INCLUDED IN THIS SUBSECTION, WHICH STARTS ON PAGE 68 OF OUR PROSPECTUS, IS SUPERCEDED IN THE ENTIRETY AND REPLACED BY THE FOLLOWING:

ROBERTA S. MATLIN joined Inland Real Estate Investment Corporation (IREIC) in 1984 as director of investor administration and currently serves as Senior Vice President of IREIC, directing the day-to-day internal operations. Ms. Matlin is a director of IREIC, a director and president of Inland Investment Advisors, Inc., and Intervest Southern Real Estate Corporation, and a director and vice president of Inland Securities Corporation. She is the president of Inland American Advisory Services, Inc. Since 2004, she has been vice president of administration of Inland American Real Estate Trust, Inc. She was Vice President of Administration of Inland Real Corporation from 1995 until 2000 and

of Inland Retail Real Estate Trust, Inc from 1998 until 2004. From June 2001 until April 2004, she was a trustee and executive vice president of Inland Mutual Fund Trust. Prior to joining Inland, she worked for the Chicago Region of the Social Security Administration of the Untied States Department of Health and Human Services. Ms. Matlin is a graduate of the University of Illinois. She holds Series 7, 22, 24, 39, 63 and 65 licenses from the National Association of Securities Dealers.

SCOTT W. WILTON has been our secretary since our formation. Mr. Wilton joined The Inland Group in January 1995. He is assistant vice president of The Inland Real Estate Group, Inc. and assistant counsel with The Inland Real Estate Group law department. From 1998 through 2004, Mr. Wilton was secretary of Inland Retail Real Estate Trust, Inc. and Inland Retail Real Estate Advisory Services, Inc. In 2001, he became the Secretary of Inland Real Estate Exchange Corporation. In 2004, he became secretary of Inland American Real Estate Trust, Inc. Mr. Wilton is involved in all aspects of The Inland Group's business, including real estate acquisitions and financing, securities law and corporate governance matters, leasing and tenant matters, and litigation management. He received B.S. degrees in economics and history from the University of Illinois at Champaign 1982 and his law degree from Loyola University of Chicago, Illinois 1985. Prior to joining The Inland Group, Mr. Wilton worked for the Chicago law firm of Williams, Rutstein, Goldfarb, Sibrava and Midura, Ltd., specializing in real estate and corporate transactions and litigation.

BRENDA G. GUJRAL is President, Chief Operating Officer and a director of Inland Real Estate Investment Corporation (IREIC) and President, Chief Operating Officer and a director of Inland Securities Corporation (ISC) - a member firm of the National Association of Securities Dealers (NASD). Mrs. Gujral is also a director of Inland Investment Advisors, Inc.; Chairman of the Board of Inland Real Estate Exchange Corporation; and Mrs. Gujral is Director and President of Inland American Real Estate Trust, Inc.

Mrs. Gujral has overall responsibility for the operations of IREIC, including the distribution of checks to over 50,000 investors, review of periodic communications to those investors, the filing of quarterly and annual reports for Inland's publicly registered investment programs with the Securities and Exchange Commission, compliance with other SEC and NASD securities regulations both for IREIC and ISC, review of asset management activities, and marketing and communications with the independent broker/dealer firms selling Inland's current and prior programs. Mrs. Gujral works with internal and outside legal counsel in structuring IREIC's investment programs and in connection with the preparation of its offering documents and registering the related securities with the Securities and Exchange Commission and state securities commissions.

Mrs. Gujral has been with the Inland organization for 22 years, becoming an officer in 1982. Prior to joining Inland, she worked for the Land Use Planning Commission establishing an office in Portland, Oregon, to implement land use legislation for that state.

She is a graduate of California State University. She holds Series 7, 22, 39 and 63 licenses from the NASD. Mrs. Gujral is a member of the National Association of Real Estate Investment Trusts (NAREIT), the Financial Planning Association (FPA), the Foundation for Financial Planning (FFP) and the National Association for Female Executives.

KENNETH H. BEARD is president and chief executive officer of Midwest Mechanical Group, a mechanical construction and service company. From 1999-2002 he was president and chief executive officer of Exelon Services, a subsidiary of Exelon Corporation, where he had responsibility for financial performance including being accountable for creating business strategy, growing the business through acquisition, integrating acquired companies and developing infrastructure for the combined acquired businesses. Prior to that position, from 1974 to 1999, Mr. Beard was the founder, president and chief executive officer of Midwest Mechanical, Inc., a heating, ventilation and air conditioning company providing innovative and cost effective construction services and solutions for commercial, industrial, and institutional facilities. From 1964 to 1974, Mr. Beard was employed by The Trane Company, a manufacturer of heating, ventilating and air conditioning equipment having positions in sales, sales management and general management.

Mr. Beard holds a MBA and BSCE from the University of Kentucky and is a licensed mechanical engineer. He is on the board of directors of the Wellness House in Hinsdale, Illinois, a cancer support organization and serves on the Dean's Advisory Council of the University of Kentucky, School of Engineering. Mr. Beard is a past member of the Oak Brook, Illinois Plan Commission (1981-1991) and a past board member of Harris Bank, Hinsdale (1985-2004).

PAUL R. GAUVREAU is the retired chief financial officer, financial vice president and treasurer of Pittway Corporation, New York Stock exchange listed manufacturer and distributor of professional burglar and fire alarm systems and equipment from 1966 until its sale to Honeywell, Inc. in 2001. He was president of Pittway's non-operating real estate and leasing subsidiaries through 2001. He was a financial consultant to Honeywell, Inc.; Genesis Cable, L.L.C.; ADUSA, Inc. He was a director and audit committee member of Cylink Corporation, a Nasdaq Stock Market listed manufacturer of voice and data security products from 1998 until its merger with Safenet, Inc. in February 2003.

Mr. Gauvreau holds a MBA from the University of Chicago and a BSC from Loyola University of Chicago. He is on the Board of Trustees, Chairman of the Advancement Committee, and Vice Chairman of the Finance Committee of Benedictine University, Lisle, Illinois; a member of the Board of Trustees of the Chaddick Institute of DePaul University, Chicago, Illinois; and a member of the board of directors and vice president of the Children's Brittle Bone Foundation, Pleasant Prairie, Wisconsin.

COMPENSATION OF DIRECTORS AND OFFICERS

THE DISCUSSION INCLUDED IN THIS SUBSECTION, WHICH STARTS ON PAGE 76 OF OUR PROSPECTUS, IS SUPERCEDED IN THE ENTIRETY AND REPLACED BY THE FOLLOWING:

We pay our independent directors an annual fee of $5,000 (increased to $10,000 effective October 1, 2004) plus $500 for each in person meeting, and $350 for each meeting of the board or a committee (excluding the audit committee) of the board attended by telephone, and reimbursement of their out-of-pocket expenses incurred. Effective December 1, 2004, we pay our audit committee members $750 for each in personal audit committee meeting and $500 for each audit committee meeting attended by telephone. Our two other directors, Robert D. Parks and Brenda G. Gujral, do not receive any fees or other remuneration for serving as directors.

OUR ADVISOR

THE DISCUSSION UNDER THIS SECTION ON "OUR ADVISORY AGREEMENT" WHICH STARTS ON PAGE 79 OF OUR PROSPECTUS HAS BEEN MODIFIED TO INCLUDE THE FOLLOWING SIXTEENTH PARAGRAPH:

On February 11, 2005, a new property acquisition agreement was entered into between Inland Real Estate Acquisitions, Inc. ("Acquisitions"), Inland Western Retail Real Estate Advisory Services, Inc. ("the Advisor"), and us. The property acquisition agreement grants us an exclusive right of first refusal to acquire each and every Subject Property, as defined in the agreement. A Subject Property is defined as any retail facility, mixed-use property, or a single-user property identified by Acquisitions and located within our market area. Our market area is defined in the agreement as the geographic area located west of the Mississippi in the continental United States but excluding the portion of the geographic area within a four hundred (400) mile radius of Oak Brook, Illinois.

Acquisitions are owned by The Inland Group, and we are sponsored by Inland Real Estate Investment Corporation. Inland Real Estate Investment Corporation and the Advisor are owned by The Inland Group.

The property acquisition agreement previously entered into by the parties dated September 18, 2003 has been terminated accordingly. The new property acquisition agreement is filed as an exhibit to the registration statement of which the prospectus is a part and is incorporated into this filing in its entirety.

THE DISCUSSION UNDER "TERM OF THE ADVISORY AGREEMENT" SECTION WHICH STARTS ON PAGE 79 OF OUR PROSPECTUS HAS BEEN MODIFIED AND SUPPLEMENTED BY THE FOLLOWING:

TERM OF THE ADVISORY AGREEMENT

On December 28, 2004, the advisory agreement between Inland Western Retail Real Estate Trust, Inc. (the "Company") and Inland Western Retail Real Estate Advisory Services, Inc. (the "Business Manager/Advisor") was amended and restated. The Business Manager/Advisor is owned by the Company's sponsor, and all of the Company's

agreements and arrangements with the Business Manager/Advisor and its affiliates, including those relating to compensation, are not the result of arm's length negotiations but the Company believes that the fee it pays is equal to or less than the fee that would be payable to an unaffiliated third-party providing such service. The advisory agreement was amended and restated to include an initial term of one year instead of three years.

THE LAST PARAGRAPH, UNDER THE SECTION "OUR ADVISORY AGREEMENT", SUBSECTION "LIABILITY AND INDEMNIFICATION OF BUSINESS MANAGER/ADVISOR WHICH STARTS ON PAGE 81 OF OUR PROSPECTUS HAS BEEN SUPERCEDED IN THE ENTIRETY TO READ AS FOLLOWS:

When it becomes effective, Inland American Real Estate Trust, Inc. may acquire real estate operating companies that may have been a historical or future source for acquiring properties, which could create a conflict of interest for our company. In addition, Inland American Real Estate Trust, Inc.'s offering, could potentially negatively impact arm's length negotiations due to overlapping fiduciary duties owed by certain directors particularly arising in the potential purchase of shopping or retails centers, and office buildings, located in the United States. However, if any conflicts do arise, they will be resolved as provided in the property acquisition service agreement.

THE TWENTIETH PARAGRAPH, UNDER THE SECTION "THE PROPERTY MANAGERS AND THE MANAGEMENT AGREEMENT", WHICH STARTS ON PAGE 86 OF OUR PROSPECTUS HAS BEEN SUPERCEDED IN THE ENTIRETY TO READ AS FOLLOWS:

The following sets forth information with respect to the executive officers and managers of Inland Pacific Property Services LLC.

INLAND SECURITIES CORPORATION

THE DISCUSSION UNDER THIS SUBSECTION WHICH STARTS ON PAGE 87 OF OUR PROSPECTUS IS MODIFIED AND SUPPLEMENTED BY THE FOLLOWING INFORMATION:

ANDREW DORNBUSCH (age 27) joined Inland Securities Corporation as a vice president in September 2004. Previously, Mr. Dornbusch was an attorney at Dorsey & Whitney LLP in Minneapolis, Minnesota. Mr. Dornbusch graduated from the University of Minnesota with a bachelor degree in International Relations. He obtained his law degree from Cornell Law School. Mr. Dornbusch holds Series 7, 63 and 65 licenses with the National Association of Securities Dealers, Inc.

SANDRA L. PERION (age 47) joined Inland in 1994 as an Administrative Assistant to the Senior Vice President of Inland Real Estate Investment Corporation. Mrs. Perion's responsibilities included expense accounts, time and attendance reports, supervising file room clerk, furniture and supply orders, shareholder correspondence, arranging board of directors and annual shareholder meetings, proxy tabulation and scheduling seminars and classes for employees. In 2002, Mrs. Perion was promoted to administrator of Inland Securities Corporation, where she became responsible for securities industry registration, compliance procedures and maintaining corporation and shareholder records, and in 2003 she was promoted to Assistant Vice President of Inland Securities Corporation. Mrs. Perion holds Series 7, 24 and 63 licenses from the National Association of Securities Dealers.

PRINCIPAL STOCKHOLDERS

THE TABLE UNDER THIS SECTION, WHICH STARTS ON PAGE 95 OF OUR PROSPECTUS, IS MODIFIED AND SUPPLEMENTED BY THE FOLLOWING INFORMATION:

The following table provides information as of March 8, 2005 regarding the number and percentage of shares beneficially owned by each director, each executive officer, all directors and executive officers as a group, and any person known to us to be the beneficial owner of more than 5% of our outstanding shares. As of March 8, 2005, no stockholder beneficially owned more than 5% of our outstanding shares. As of March 8, 2005, we had approximately

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73,200 stockholders of record and approximately 264,280,614 shares of common stock outstanding for our two offerings. Beneficial ownership includes outstanding shares and shares which are not outstanding that any person has the right to acquire within 60 days after the date of this table. However, any such shares which are not outstanding are not deemed to be outstanding for the purpose of computing the percentage of outstanding shares beneficially owned by any other person. Except as indicated, the persons named in the table have sole voting and investing power with respect to all shares beneficially owned by them.

Beneficial Owner	Number of shares beneficially owned	Percent of class
Robert D. Parks	120,228.8188(1)	*
Roberta S. Matlin	179.7517	*
Scott W. Wilton	0	0
Steven P. Grimes	0	0
Lori A. Foust	0	0
Brenda G. Gujral	0	0
Frank A. Catalano, Jr.	3,000(2)	*
Kenneth H. Beard	53,831.3063(2)	*
Paul R. Gauvreau	114,731.8436(2)	*
Gerald M. Gorski	5,035.3673(2)	*
Barbara A. Murphy	3,000(2)	*
All directors and executive officers as a group (12 persons)	300,007.0877(1)	*

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*Less than 1%

(1) Includes 20,000 shares owned by our business manager/advisor. Our business manager/advisor is a wholly-owned subsidiary of our sponsor, which is an affiliate of The Inland Group. Mr. Parks is a control person of The Inland Group and disclaims beneficial ownership of these shares owned by our business manager/advisor.

(2) Includes 3,000 shares issuable upon exercise of options granted to each independent director under our independent director stock option plan, to the extent that such options are currently exercisable or will become exercisable within 60 days after the date of this table.

INVESTMENT OBJECTIVES AND POLICIES

DISTRIBUTIONS

THE DISCUSSION UNDER THIS SECTION, WHICH STARTS ON PAGE 99 OF OUR PROSPECTUS, IS MODIFIED AND SUPPLEMENTED BY THE FOLLOWING INFORMATION REGARDING DISTRIBUTIONS.

Our Board of Directors approved the following distributions payable to holders of our common stock:

- $.65 per share per annum for the stockholders of record on December 31, 2004, payable on January 10, 2005
- $.63 per share per annum for the stockholders of record on January 31, 2005, payable on February 10, 2005; and
- $.6325 per share per annum for the stockholders of record on February 28, 2005, payable on March 10, 2005.

At the January 27, 2005 regularly scheduled Board meeting, the Board of Directors unanimously approved a resolution to delegate to our management committee the authority to continue to determine the amount of the monthly distributions to stockholders on our common stock to be an amount between 6.0% and 7.25% on an annualized basis, for the remainder of the 2005 calendar year.

THE DISCUSSION UNDER THIS SECTION ON "PROPERTY ACQUISITION STANDARDS", WHICH STARTS ON PAGE 101 OF OUR PROSPECTUS HAS BEEN MODIFIED TO INCLUDE THE FOLLOWING FOURTH PARAGRAPH:

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On February 11, 2005, a new property acquisition agreement was entered into between Inland Real Estate Acquisitions, Inc. ("Acquisitions"), Inland Western Retail Real Estate Advisory Services, Inc. ("the Advisor"), and us. The property acquisition agreement grants us an exclusive right of first refusal to acquire each and every Subject Property, as defined in the agreement. A Subject Property is defined as any retail facility, mixed-use property, or a single-user property identified by Acquisitions and located within our market area. Our market area is defined in the agreement as the geographic area located west of the Mississippi in the continental United States but excluding the portion of the geographic area within a four hundred (400) mile radius of Oak Brook, Illinois.

Acquisitions is owned by The Inland Group, and we are sponsored by Inland Real Estate Investment Corporation. Inland Real Estate Investment Corporation and the Advisor are owned by The Inland Group.

The property acquisition agreement previously entered into by the parties dated September 18, 2003 has been terminated accordingly. The new property acquisition agreement is filed as an exhibit to the registration statement of which the prospectus is a part and is incorporated into this filing in its entirety.

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REAL PROPERTY INVESTMENTS

SUMMARY TABULAR PRESENTATION OF PROPERTIES OWNED

As of March 8, 2005, we, through separate limited partnerships or limited liability companies, have acquired fee ownership of, or a leasehold interest in, 128 properties consisting of an aggregate of approximately 22,893,000 gross leasable square feet located in Alabama, Arizona, Arkansas, California, Colorado, Connecticut, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Louisiana, Maryland, Michigan, Minnesota, Missouri, Nevada, New Mexico, New York, North Carolina, Ohio, Oklahoma, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Utah, Washington and Ontario, Canada. The following table summarizes these properties in alphabetical order.

PROPERTY	TYPE	YEAR BUILT/ RENOVATED	DATE ACQUIRED	APPROXIMATE PURCHASE PRICE ($)	MORTGAGE PAYABLE AT MARCH 8, 2005 ($)	GROSS LEASABLE AREA (SQ. FT.)	% OF TOTA GROS LEASAB AREA
23rd Street Plaza Panama City, Florida	NC	2003	Dec-04	7,258,000	-	53,376	0.2
Academy Sports Houma, Louisiana	SU	2004	Jul-04	5,250,000	2,920,000	60,001	0.3
Academy Sports Midland, Texas	SU	2004	Oct-04	4,250,000	2,337,500	61,150	0.3
Academy Sports Port Arthur, Texas	SU	2004	Oct-04	5,000,000	2,775,000	61,001	0.3
Academy Sports San Antonio, Texas	SU	2004	Jan-05	7,150,000	3,933,000	70,910	0.3
Alison's Corner San Antonio, Texas	NC	2003	Apr-04	7,042,000	3,850,000	55,066	0.2
American Express Depere, Wisconsin	SU	2000	Dec-04	18,000,000	11,623,000	132,336	0.6
American Express Fort Lauderdale, Florida	SU	1975	Dec-04	63,000,000	37,170,000	376,348	1.6
American Express Greensboro, North Carolina	SU	1986	Dec-04	56,000,000	33,040,000	389,377	1.7
American Express Markham, Ontario, Canada	SU	1983 & 1987	Feb-05	42,000,000	25,380,000	306,710	1.3

	YEAR BUILT/	DATE	APPROXIMATE PURCHASE	MORTGAGE PAYABLE AT MARCH 8,	GROSS LEASABLE AREA (SQ.	% OF TOTA GROS LEASAB

PROPERTY	TYPE	RENOVATED	ACQUIRED	PRICE ($)	2005 ($)	FT.)	AREA
American Express Minneapolis, Minnesota	SU	1989	Dec-04	95,000,000	56,050,000	541,542	2.4
American Express-19th Ave. Phoenix, Arizona	SU	1983	Dec-04	14,000,000	8,260,000	117,556	0.5
American Express-31st Ave. Phoenix, Arizona	SU	1985	Dec-04	54,000,000	31,860,000	337,439	1.5
Arvada Connection and Arvada Marketplace Arvada, Colorado	RC	1987 -1990	Apr-04	51,550,000	28,510,000	61,079 313,559	0.3 1.4
Azalea Square Summerville, South Carolina	RC	2004	Oct-04	30,013,000	16,535,000	190,142	0.8
Bed, Bath & Beyond Plaza Miami, Florida	NC	2004	Oct-04	20,350,000	11,192,500	97,456	0.4
Best on the Boulevard Las Vegas, Nevada	RC	1996 - 1999	Apr-04	35,500,000	19,525,000	204,427	0.9
Bluebonnet Parc Baton Rouge, Louisiana	RC	2002	Apr-04	22,000,000	12,100,000	135,289	0.6
Boulevard at the Capital Centre Largo, Maryland	JV	2004	Sept-04	127,499,000	71,500,000	479,072	2.1
CarMax San Antonio, Texas	SU	1998	Mar-05	14,600,000	-	60,772	0.3

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			% OF
MORTGAGE	GROSS		TOTA

PROPERTY	TYPE	YEAR BUILT/ RENOVATED	DATE ACQUIRED	APPROXIMATE PURCHASE PRICE ($)	PAYABLE AT MARCH 8, 2005 ($)	LEASABLE AREA (SQ. FT.)	GROS LEASAB AREA
The Columns Jackson, Tennessee	RC	2004	Aug-04	26,510,000	14,865,400	173,427	0.8
Coram Plaza Coram, New York	RC	2004	Dec-04	37,292,000	20,755,300	144,191	0.6
CorWest Plaza New Britain, Connecticut	RC	1999 - 2003	Jan-04	33,000,000	18,150,000	115,011	0.5
Cottage Plaza Pawtucket, Rhode Island	NC	2004-2005	Feb-05	23,440,000	13,025,000	85,363	0.4
Cranberry Square Cranberry Township, Pennsylvania	RC	1996 - 1997	Jul-04	20,220,000	10,900,000	195,566	0.9
CVS Pharmacy (Eckerd Drug Store) Edmund, Oklahoma	SU	2003	Dec-03	3,364,000	1,850,000	13,824	0.1
CVS Pharmacy (Eckerd Drug Store) Norman, Oklahoma	SU	2003	Dec-03	5,288,000	2,900,000	13,824	0.1
CVS Pharmacy Jacksonville, Florida	SU		Mar-05	5,895,000	-	13,824	0.1
CVS Pharmacy Sylacauga, Alabama	SU	2004	Oct-04	3,066,000	1,685,000	10,055	0.1
Darien Towne Center Darien, Illinois	RC	1994	Dec-03	30,000,000	16,500,000	223,844	1.0
Davis Towne Crossing North Richland Hills, Texas	NC	2003 & 2004	Jun-04	8,141,000	5,365,200	34,091	0.1

PROPERTY	TYPE	YEAR BUILT/ RENOVATED	DATE ACQUIRED	APPROXIMATE PURCHASE PRICE ($)	MORTGAGE PAYABLE AT MARCH 8, 2005 ($)	GROSS LEASABLE AREA (SQ. FT.)	% OF TOTA GROS LEASAB AREA
Denton Towne Crossing Denton, Texas	RC	2003 & 2004	Oct-04	54,688,000	35,200,000	283,040	1.2
Dorman Center - Phase I & II Spartanburg, South Carolina	RC	2003 - 2004	Mar-04 & Jul-04	50,200,000	27,610,000	388,067	1.7
Eastwood Towne Center Lansing, Michigan	RC	2002	May-04	85,000,000	46,750,000	332,131	1.5
Eckerd Drug Store Columbia, South Carolina	SU	2003 - 2004	Jun-04	3,260,000	1,750,000	13,440	0.1
Eckerd Drug Store Crossville, Tennessee	SU	2003 - 2004	Jun-04	2,625,000	1,425,000	13,824	0.1
Eckerd Drug Store Greer, South Carolina	SU	2003 - 2004	Jun-04	3,069,000	1,650,000	13,824	0.1
Eckerd Drug Store Kill Devil Hills, North Carolina	SU	2003 - 2004	Jun-04	3,650,000	1,975,000	13,824	0.1
Edgemont Town Center Homewood, Alabama	NC	2003	Nov-04	15,639,000	8,600,000	77,655	0.3
Evans Town Center Evans, Georgia	NC	1995	Dec-04	8,795,000	5,005,000	75,695	0.3
Fairgrounds Plaza Middletown, New York	NC	2002 - 2004	Jan-05	21,994,000	15,965,749	58,970	0.3
Five Forks Simpsonville, South Carolina	NC	1999	Dec-04	8,086,000	4,482,500	64,173	0.3
Forks Town Center Easton, Pennsylvania	NC	2002	Jul-04	18,199,000	10,395,000	92,660	0.4
Fox Creek Village Longmont, Colorado	RC	2003 - 2004	Nov-04	20,883,000	11,485,000	114,033	0.5

PROPERTY	TYPE	YEAR BUILT/ RENOVATED	DATE ACQUIRED	APPROXIMATE PURCHASE PRICE ($)	MORTGAGE PAYABLE AT MARCH 8, 2005 ($)	GROSS LEASABLE AREA (SQ. FT.)	% OF TOTA GROS LEASAB AREA
Fullerton Metrocenter Fullerton, California	RC	1988	Jun-04	51,275,000	28,050,000	253,296	1.1
Gateway Pavilions Avondale, Arizona	RC	2003 - 2004	Dec-04	65,141,000	35,842,000	301,233	1.3
Gateway Plaza Southlake, Texas	RC	2000	Jul-04	33,025,000	18,163,000	358,091	1.6
Gateway Station College Station, Texas	NC	2003 - 2004	Dec-04	5,093,000	-	19,537	0.1
Gateway Village Annapolis, Maryland	JV	1996	Jul-04	53,150,000	31,458,000	273,307	1.2
GMAC Insurance Building Winston-Salem, North Carolina	SU	1980/1990	Sept-04	59,997,000	33,000,000	501,064	2.2
Governor's Marketplace Tallahassee, Florida	RC	2001	Aug-04	32,654,000	20,625,000	231,915	1.0
Green's Corner Cumming, Georgia	NC	1997	Dec-04	12,768,000	7,022,366	85,271	0.4
Gurnee Towne Center Gurnee, Illinois	RC	2000	Oct-04	44,256,000	24,360,000	179,602	0.8
Harris Teeter Wilmington, North Carolina	SU	1977/1995	Sept-04	7,200,000	3,960,000	57,230	0.2

PROPERTY	TYPE	YEAR BUILT/ RENOVATED	DATE ACQUIRED	APPROXIMATE PURCHASE PRICE ($)	MORTGAGE PAYABLE AT MARCH 8, 2005 ($)	GROSS LEASABLE AREA (SQ. FT.)	% OF TOTA GROS LEASAB AREA
Harvest Towne Center Knoxville, Tennessee	NC	1996-1999	Sept-04	8,950,000	5,005,000	42,235	0.2
Henry Town Center McDonough, Georgia	RC	2002	Dec-04	61,397,000	35,814,616	444,296	1.9
Heritage Towne Crossing Euless, Texas	NC	2002	Mar-04	16,123,000	8,950,000	80,639	0.4
Hickory Ridge Hickory, North Carolina	RC	1999	Jan-04	41,900,000	23,650,000	380,487	1.7
High Ridge Crossing High Ridge, Missouri	NC	2004	Mar-05	13,200,000	-	76,857	0.3
Hobby Lobby Concord, North Carolina	SU	2004	Jan-05	5,500,000	3,025,000	60,000	0.3
Holliday Towne Center Duncansville, Pennsylvania	RC	2003	Feb-05	14,828,000	8,050,000	83,122	0.4
Huebner Oaks Center San Antonio, Texas	RC	1997 & 1998	Jun-04	79,721,000	48,000,000	286,684	1.3
Irmo Station Irmo, South Carolina	NC	1980 & 1985	Dec-04	12,800,000	7,085,000	99,619	0.4
John's Creek Village Duluth, Georgia	RC	2003 & 2004	Jun-04	34,255,000	23,300,000	156,582	0.7
Kohl's/Wilshire Plaza III Kansas City, Missouri	SU	2004	Nov-04	10,099,000	5,417,500	88,248	0.4
La Plaza Del Norte San Antonio, Texas	RC	1996/1999	Jan-04	59,143,000	32,528,000	320,345	1.4

Lake Mary Pointe Lake Mary, Florida	NC	1999	Oct-04	6,620,000	3,657,500	51,052	0.2

PROPERTY	TYPE	YEAR BUILT/ RENOVATED	DATE ACQUIRED	APPROXIMATE PURCHASE PRICE ($)	MORTGAGE PAYABLE AT MARCH 8, 2005 ($)	GROSS LEASABLE AREA (SQ. FT.)	% OF TOTA GROS LEASAB AREA
Lakewood Towne Center Lakewood, Washington	RC	1988 Rebuilt 2002-2003	Jun-04	81,100,000	51,260,000	578,913	2.5
Larkspur Landing Larkspur, California	RC	1978/2001	Jan-04	61,145,000	33,630,000	172,433	0.8
Lincoln Park Dallas, Texas	RC	1998	Sept-04	47,515,000	26,153,000	148,806	0.6
Low Country Village Bluffton, South Carolina	NC	2004	Jun-04	11,090,000	10,810,000	76,385	0.3
MacArthur Crossing Los Colinas, Texas	RC	1995 - 1996	Feb-04	23,102,000	12,700,000	109,755	0.5
Magnolia Square Houma, Louisiana	RC	2004	Feb-05	19,114,000	10,265,000	116,049	0.5
Manchester Meadows Town and Country, Missouri	RC	1994 - 1995	Aug-04	56,200,000	31,064,550	454,172	2.0
Mansfield Towne Crossing Mansfield, Texas	RC	2004	Nov-04	18,322,000	10,982,300	105,286	0.5
Maytag Distribution Center Iowa City, Iowa	SU	2004	Jan-05	23,159,000	12,740,000	750,000	3.3
McAllen Shopping Center McAllen, Texas	NC	2004	Dec-04	4,150,000	2,455,000	17,625	0.1
Mesa Fiesta	RC	2004	Dec-04	36,855,000	23,500,000	194,892	0.9

Mesa, Arizona

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PROPERTY	TYPE	YEAR BUILT/ RENOVATED	DATE ACQUIRED	APPROXIMATE PURCHASE PRICE ($)	MORTGAGE PAYABLE AT MARCH 8, 2005 ($)	GROSS LEASABLE AREA (SQ. FT.)	% OF TOTA GROS LEASAB AREA
Midtown Center Milwaukee, Wisconsin	RC	1986-1987	Jan-05	53,000,000	28,227,617	319,072	1.4
Mitchell Ranch Plaza New Port Richey, Florida	RC	2003	Aug-04	34,000,000	18,700,000	200,404	0.9
Newnan Crossing I & II Newnan, Georgia	RC	1999-2004	Dec-03 & Feb-04	52,360,000	23,766,191	392,050	1.7
Newton Crossroads Covington, Georgia	NC	1997	Dec-04	10,072,000	5,547,622	78,896	0.3
North Ranch Pavilions Thousand Oaks, California	NC	1992	Jan-04	18,468,000	10,157,400	62,812	0.3
North Rivers Town Center Charleston, South Carolina	RC	2003 - 2004	Apr-04	20,100,000	11,050,000	141,204	0.6
Northgate North Seattle, Washington	RC	1999 - 2003	Jun-04	48,455,000	26,650,000	302,095	1.3
Northpointe Plaza Spokane, Washington	RC	1991 - 1993	May-04	54,524,000	30,850,000	377,949	1.7
Northwoods Center Wesley Chapel, Florida	NC	2002 - 2004	Dec-04	13,964,000	11,192,500	74,647	0.3
Oswego Commons Oswego, Illinois	RC	2002 - 2004	Nov-04	35,022,000	19,262,100	187,651	0.8
Paradise Valley Marketplace	NC	2002	Apr-04	28,510,000	15,680,500	92,158	0.4

Phoenix, Arizona							
Pavilion at King's Grant Concord, North Carolina	NC	2002/2003	Dec-03	8,151,000	5,342,000	79,109	0.3

PROPERTY	TYPE	YEAR BUILT/ RENOVATED	DATE ACQUIRED	APPROXIMATE PURCHASE PRICE ($)	MORTGAGE PAYABLE AT MARCH 8, 2005 ($)	GROSS LEASABLE AREA (SQ. FT.)	% OF TOTA GROS LEASAB AREA
Peoria Crossings Glendale, Arizona	RC	2002 - 2003	Mar-04	37,368,000	20,497,400	213,733	0.9
Phenix Crossing Phenix City, Alabama	NC	2004	Dec-04	10,065,000	-	56,563	0.2
Pine Ridge Plaza Lawrence, Kansas	RC	1998 - 2004	Jun-04	26,982,000	14,700,000	230,510	1.0
Placentia Town Center Placentia, California	RC	1973/2000	Dec-04	24,865,000	13,695,000	110,962	0.5
Plaza at Marysville Marysville, Washington	RC	1995	Jul-04	21,266,000	11,800,000	115,656	0.5
Plaza at Riverlakes Bakersfield, California	RC	2001	Oct-04	17,000,000	-	102,836	0.4
Plaza Santa Fe II Santa Fe, New Mexico	RC	2000 - 2002	Jun-04	30,971,000	17,342,953	222,389	1.0
Pleasant Run Towne Center Ce Hill, Texas	RC	2004	Dec-04	35,370,000	22,800,000	201,587	0.9
Promenade at Red Cliff St. George, Utah	NC	1997	Feb-04	19,537,000	10,590,000	94,445	0.4

Reisterstown Road Plaza Baltimore, Maryland	JV	1986/2004	Aug-04	94,762,000	49,650,000	789,926	3.5
Saucon Valley Square Bethlehem, Pennsylvania	NC	1999	Sept-04	16,043,000	8,850,900	80,695	0.4
Shaw's Supermarket New Britain, Connecticut	SU	1995	Dec-03	13,656,000	6,450,000	65,658	0.3

PROPERTY	TYPE	YEAR BUILT/ RENOVATED	DATE ACQUIRED	APPROXIMATE PURCHASE PRICE ($)	MORTGAGE PAYABLE AT MARCH 8, 2005 ($)	GROSS LEASABLE AREA (SQ. FT.)	% OF TOTA GROS LEASAB AREA
Shoppes at Lake Andrew Viera, Florida	RC	2003	Dec-04	28,300,000	15,656,511	144,733	0.6
The Shoppes at Park West (Publix Center) Mount Pleasant, South Carolina	NC	2004	Nov-04	12,047,000	6,655,000	64,832	0.3
Shoppes at Quarterfield (Metro Square Center) Severn, Maryland	NC	1999	Jan-04	11,031,000	6,067,183	61,817	0.3
Shoppes of New Hope (Shoppes of Dallas) Dallas, Georgia	NC	2004	Jul-04	13,052,000	7,178,700	70,610	0.3
Shoppes of Prominence Point Canton, Georgia	NC	2004	Jun-04	15,155,000	9,954,300	78,058	0.3
The Shops at Boardwalk Kansas City, Missouri	RC	2003 & 2004	Jul-04	36,642,000	20,150,000	122,916	0.5
Shops at Forest Commons Round Rock, Texas	NC	2002	Dec-04	7,505,000	5,220,981	34,756	0.2
Shops at Park Place Plano, Texas	RC	2001	Oct-03	24,000,000	13,127,000	116,300	0.5

PROPERTY	TYPE	YEAR BUILT/ RENOVATED	DATE ACQUIRED	APPROXIMATE PURCHASE PRICE ($)	MORTGAGE PAYABLE AT MARCH 8, 2005 ($)	GROSS LEASABLE AREA (SQ. FT.)	% OF TOTA GROS LEASAB AREA
Southgate Plaza Heath, Ohio	NC	1998-2002	Mar-05	12,253,000	-	86,010	0.4
Southlake Town Square Southlake, Texas	RC	1998-2004	Dec-04	135,606,000	81,000,000	456,569	2.0
Stanley Works/Mac Tools Westerville, Ohio	SU	2004	Jan-05	10,000,000	-	72,500	0.3
Stateline Station High Ridge, Missouri	RC	2003-2004	Mar-05	32,000,000	-	141,686	0.6
Stilesboro Oaks Acworth, Georgia	NC	1997	Dec-04	12,640,000	6,951,971	80,772	0.4
Stony Creek Marketplace Noblesville, Indiana	RC	2003	Dec-03	25,750,000	14,162,000	153,796	0.7
Tollgate Marketplace Bel Air, Maryland	JV	1979/1994	Jul-04	72,300,000	39,765,000	392,587	1.7
Towson Circle Towson, Maryland	JV	1998	Jul-04	28,450,000	19,197,500	116,012	0.5
Trenton Crossing McAllen, Texas	RC	2003	Feb-05	29,212,000	19,307,037	215,220	0.9
University Town Center Tuscaloosa, Alabama	NC	2002	Nov-04	10,569,000	5,810,000	57,250	0.3
The Village at Quail Springs Oklahoma City,	RC	2003-2004	Feb-05	10,429,000	5,740,000	100,404	0.4

Oklahoma							
Village Shoppes at Simonton Lawrenceville, Georgia	NC	2004	Aug-04	13,750,000	7,561,700	66,415	0.3

PROPERTY	TYPE	YEAR BUILT/ RENOVATED	DATE ACQUIRED	APPROXIMATE PURCHASE PRICE ($)	MORTGAGE PAYABLE AT MARCH 8, 2005 ($)	GROSS LEASABLE AREA (SQ. FT.)	% O TOT GROS LEASAB AREA
Wal-Mart Supercenter Blytheville, Arkansas	SU	1999	Jul-04	13,248,000	7,100,000	183,047	0.8
Wal-Mart Supercenter Jonesboro, Arkansas	SU	1997	Aug-04	11,071,000	6,088,500	149,704	0.7
Watauga Pavilion Wautauga, Texas	RC	2003/2004	May-04	35,668,000	19,617,000	205,195	0.9
Winchester Commons Memphis, Tennessee	NC	1999	Nov-04	13,023,000	7,235,000	93,024	0.4
Wrangler El Paso, Texas	SU	1993	Jul-04	18,477,000	11,300,000	316,800	1.4
Zurich Towers Schaumburg, Illinois	SU	1988 - 1990	Nov-04	138,000,000	81,420,000	895,418	3.9
PORTFOLIO TOTAL				3,777,302,000	2,088,440,547	22,893,430	100

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* Major tenants include tenants leasing more than 10% of the gross leasable area of the individual property.

NC Neighborhood and Community Retail Shopping Center
SU Single-User Property
RC Retail Shopping Center
JV Joint Venture

In addition to the properties listed above, we consolidate one 124-unit apartment property, Cardiff Hall East, in which we made an investment through a joint venture arrangement on October 15, 2004. This property which is located in Towson, Maryland had a mortgage payable with a balance of $5,108,656 at December 31, 2004.

We have a 95% ownership interest in the limited liability companies which own Boulevard at the Capital Centre, Gateway Village, Reisterstown Road Plaza, Tollgate Marketplace, and Towson Circle.

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THE DISCUSSION UNDER THIS SECTION, WHICH STARTS ON PAGE 98 OF OUR PROSPECTUS, IS MODIFIED AND SUPPLEMENTED BY THE FOLLOWING INFORMATION REGARDING PROPERTIES WE HAVE ACQUIRED OR INTEND TO ACQUIRE.

DESCRIPTION OF PROPERTIES

AMERICAN EXPRESS - SALT LAKE CITY, UTAH

We anticipate purchasing the following office building constructed in 1982 and leasing the entire building back to American Express Travel Related Services Company, Inc.

Location	Approximate Square Feet	Lease Term	Approximate Purchase Price (
4315 South 2700 West Salt Lake City, UT	395,787	10 years	48,000,000

For financial information of American Express, please see the financial statements filed with the Securities and Exchange Commission

POTENTIAL PROPERTY ACQUISITIONS

We are currently considering acquiring the properties listed below. Our decision to acquire these properties will generally depend upon:

- no material adverse change occurring relating to the properties, the tenants or in the local economic conditions;
- our receipt of sufficient net proceeds from this offering and financing proceeds to make these acquisition; and
- our receipt of satisfactory due diligence information including appraisals, environmental reports and lease information.

Other properties may be identified in the future that we may acquire before or instead of these properties. We cannot guarantee that we will complete these acquisitions.

In evaluating these properties as potential acquisitions and determining the appropriate amount of consideration to be paid for each property, we have considered a variety of factors including, overall valuation of net rental income, location, demographics, quality of tenant, length of lease, price per square foot, occupancy and the fact that overall rental rate at the shopping center is comparable to market rates. We believe that these properties are well located, have acceptable roadway access, are well maintained and have been professionally managed. These properties will be subject to competition from similar shopping centers within their market area, and their economic performance could be affected by changes in local economic conditions. We did not consider any other factors materially relevant to our decision to acquire these properties.

PROPERTY	TYPE	YEAR BUILT	APPROXIMATE ACQUISITION COSTS INCLUDING EXPENSES ($) *	GROSS LEASABLE AREA (SQ. FT.)	PHYSICAL OCCUPANCY AS OF 03/01/05
Advance Auto Parts 8603 Culebra San Antonio, TX	SU	2004	1,483,675	7,000	100%

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PROPERTY	TYPE	YEAR BUILT	APPROXIMATE ACQUISITION COSTS INCLUDING EXPENSES ($) *	GROSS LEASABLE AREA (SQ. FT.)	PHYSICAL OCCUPANCY AS OF 03/01/05
Advance Auto Parts 465 E. Central Texas Expressway Harker Heights, Texas	SU	2004	1,547,609	7,000	100%
Advance Auto Parts 3915 E. Stan Schlueter Killeen, Texas	SU	2004	1,433,113	7,000	100%
Four Peaks Plaza Shea Boulevard and Saguaro Boulevard Fountain Hills, Arizona	RC	2004	8,252,000	140,571	87%
Lakepointe Towne Crossing 715 Hebron Parkway Lewisville, TX	RC	2004	39,482,000	192,679	70%
Metro Town Center 2821 West Peoria Phoenix, Arizona	RC	1988-1990 Renovated 2003 & 2004	31,266,000	147,056	78%

As of March 8, 2005, we have over of $131,464,000 in pending acquisitions and we believe, based in part on projected sales of our common stock, that cash on hand and future financings will provide us with sufficient cash to close these properties at the time of their projected closings.

TERMINATED CONTRACTS

Our Board of Directors previously approved the acquisition of Albertson's Grocery Store in Loveland, Colorado, Mall 205 and Plaza 205 in Portland, Oregon, Eckerd Drug Store in Danforth and Santa Fe in Edmond, Oklahoma, Casa Paloma in Chandler, Arizona (disclosed as probable) Woodbury Village Shopping Center in Woodbury, Minnesota (disclosed as probable), Shaw's Supermarket in Bristol, Connecticut (disclosed as probable), Peoria Station in (disclosed as probable), Thunderbird Crossing in Peoria, Arizona (disclosed as probable), Shoppes at Warner Robins in Warner Robins, Georgia (disclosed as probable), Poinciana Place in Kissimmee, Florida (disclosed as probable), and Cross Creek Shopping Center in Memphis, Tennessee (disclosed as probable). Based on information received during our due diligence process, we have decided not to acquire the properties and our affiliate has terminated the contracts on these acquisitions.

TENANT LEASE EXPIRATION

The following table sets forth, as of March 8, 2005, lease expirations for the next ten years at our properties, assuming that no renewal options are exercised. For purposes of the table, the "total annual base rental income" column represents annualized base rent of each tenant as of January 1 of each year. Therefore, as each lease expires, no amount is included in this column for any subsequent year for that lease. In view of the assumption made with regard to total annual base rent, the percent of annual base rent represented by expiring leases may not be reflective of the expected actual percentages.

YEAR ENDING DECEMBER 31,	NUMBER OF LEASES EXPIRING	APPROX. GROSS LEASABLE AREA OF EXPIRING LEASES (SQ. FT.)	% TOTAL OF PORTFOLIO GROSS LEASABLE AREA REPRESENTED BY EXPIRING LEASES	TOTAL ANNUAL BASE RENTAL INCOME OF EXPIRING LEASES ($)	% OF TOTAL ANNUAL BASE RENTAL INCOME REPRESENTED BY EXPIRING LEASES
Consolidated					
2005	102	279,122	1.2%	4,837,157	1.7%
2006	171	685,392	3.0%	10,684,785	3.9%
2007	245	691,373	3.0%	13,321,125	5.0%
2008	291	952,614	4.2%	17,450,917	6.8%
2009	392	1,510,884	6.6%	26,428,701	11.0%
2010	85	624,989	2.7%	9,497,915	4.4%
2011	76	1,065,789	4.7%	15,697,641	7.6%
2012	105	1,053,894	4.6%	15,476,718	8.2%
2013	175	1,787,522	7.8%	24,412,504	13.7%
2014	170	4,476,160	19.6%	55,637,512	36.1%

TENANT CONCENTRATION

The following table sets forth information regarding the ten individual tenants at our properties comprising the greatest gross leasable area and greatest 2004 annualized base rent based on the properties owned as of March 8, 2005.

DESCRIPTION	TOTAL NUMBER	GROSS LEASABLE AREA (SQ. FT.)	% OF TOTAL GROSS LEASABLE AREA	ANNUALIZED BASE RENTA INCOME
INDIVIDUAL TENANT CONCENTRATIONS (MGMT. CRITERIA TOP 10 OF GLA AND BASE RENT)				
American Express	7	2,201,308	9.62%	22,202,988
Zurich American Insurance Company	1	895,418	3.91%	8,883,864
Wal-Mart	5	864,883	3.78%	5,856,476
Maytag	1	750,000	3.28%	1,726,500
Ross Dress for Less	15	620,529	2.71%	6,408,672
Best Buy	14	603,802	2.64%	8,311,980
GMAC	1	501,064	2.19%	5,164,449
Bed, Bath & Beyond	16	434,002	1.90%	5,055,608
Kohl's	5	431,317	1.88%	2,969,342
Publix	10	423,005	1.80%	4,510,234
Linens 'N Things	13	403,908	1.80%	4,332,814
Michaels	15	347,945	1.50%	3,715,597

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PROPERTY ALLOCATION

The following table provides a summary of the properties in our investment portfolio by type of investment and by state as of March 8, 2005.

DESCRIPTION	TOTAL NUMBER	GROSS LEASABLE AREA (SQ. FT.)	% OF TOTAL GROSS LEASABLE AREA
PORTFOLIO ALLOCATION BY TYPE			
Neighborhood and Community Retail Shopping Center	38	2,639,716	11.5%
Single-User Property	31	5,761,250	25.2%
Retail Shopping Center	54	12,441,560	54.3%
Joint Venture*	5	2,050,904	9.0 %
Total	128	22,898,430	100.0%

*   In addition to the properties listed above, we consolidate one 124-unit apartment property, Cardiff Hall East, in which we made and investment through a joint venture arrangement on October 15, 2004.

PORTFOLIO ALLOCATION BY STATE			
Alabama	4	201,523	0.9%

Arizona	6	1,257,011	5.5%
California	5	702,339	3.1%
Florida	9	1,243,755	5.4%
Georgia	10	1,528,645	6.7%
Illinois	4	1,486,515	6.5%
Maryland	6	2,112,721	9.2%
Missouri	5	883,879	3.9%
North Carolina	7	1,481,091	6.5%
Pennsylvania	4	452,043	2.0%
South Carolina	9	1,051,686	4.6%
Tennessee	4	322,510	1.4%
Texas	23	3,619,225	15.8%
Washington	4	1,374,613	6.0%
Other	28	5,175,874	22.6%
Total	128	22,893,430	100%

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

We electronically file our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports with the Securities and Exchange Commission (SEC). The public may read and copy any of the reports that are filed with the SEC at the SEC's Public Reference Room at 405 Fifth Street, NW, Washington, DC 20549. The public may obtain information on the operation of the Public Reference room by calling the SEC at (800)-SEC-0330. The SEC maintains an Internet site at (www.sec.gov) that contains reports, proxy and information statements and other information regarding issuers that file electronically.

CERTAIN STATEMENTS IN THIS "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS" AND ELSEWHERE IN THIS FORM 10-K CONSTITUTE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE FEDERAL PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. THESE FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE OUR ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY THESE FORWARD-LOOKING STATEMENTS.

The following discussion and analysis relates to the year ended December 31, 2004 and for the period from March 5, 2003 (inception) to December 31, 2003. You should read the following discussion and analysis along with our consolidated financial statements and the related notes included in this report.

Overview

We were formed to acquire and manage a diversified portfolio of real estate, principally multi-tenant shopping centers and single-user buildings. We operate as a real estate investment trust or REIT for Federal and state income tax purposes. We have initially focused on acquiring properties in the Western states. We have begun to acquire and plan to continue acquiring properties in the Western states. We may also acquire retail and single-user net lease properties in locations throughout the United States. We have also begun to acquire properties improved with commercial facilities which provide goods and services as well as double or triple net leased properties, which are either commercial or retail including properties acquired in sale and leaseback transactions. A triple-net leased property is one which is leased to a tenant who is responsible for the base rent and all costs and expenses associated with their occupancy including property taxes, insurance and repairs and maintenance. Inland Western Retail Real Estate Advisory Services, Inc. or our business manager/advisor has been retained to manage, for a fee, our day-to-day affairs, subject to the supervision of our board of directors.

Our goal is to purchase properties principally west of the Mississippi River and evaluate potential acquisition opportunities of properties east of the Mississippi River on a property by property basis, taking into consideration investment objectives and available funds. As of February 28, 2005 we have purchased 12 additional properties located in the states of Florida, Iowa, Louisiana, New York, North Carolina, Ohio, Oklahoma, Pennsylvania, Rhode Island, Texas, Wisconsin, and Ontario, Canada.

For the year ended December 31, 2004, we purchased 103 properties, of which 55 were not located in our primary geographical area of interest. We purchased these 55 properties because we had the unique opportunity of taking advantage of our business manager/advisor's acquisition pipeline of properties located east of the Mississippi River which generally, continue to have rates of return above those located in the Western United States. We expect this trend to continue into the next year. Our strategy in purchasing these properties was to deploy stockholder funds promptly and generate income for us as early as possible, while investing in properties which met our acquisition criteria.

During the fourth quarter of 2004, the retail sector has remained relatively stable as a result of sustained consumer spending, which has helped maintain retail sales growth despite potential terrorist threats and the Iraqi war. A modest pace of new retail construction, and the expansion strategy of some retailers, who are renting more space to maintain market share and revenue growth and offset declining same store sales have also contributed to the stability.

Our goal is to maximize the possible return to our stockholders through the acquisition, development, re-development and management of our properties consisting of neighborhood and community shopping centers and single-tenant

buildings. We actively manage our assets by leasing and releasing space at favorable rates, controlling costs, maintaining strong tenant relationships and creating additional value through redeveloping and repositioning our centers. We distribute funds generated from operations to our stockholders, and intend to continue distributions in order to maintain our REIT status.

Overall, the retail segment of the real estate industry has undergone a fundamental shift in consumer spending patterns while the grocery, drug and discount retail sectors have remained relatively stable over the past few years. The majority of consumer purchases for general merchandise occur at discount stores or warehouse club/supercenters following the lead of industry giants Wal-Mart and Home Depot. Strength in this segment has come at a detriment to older, established retailers, whose operating costs are relatively higher, and who do not offer bulk purchasing opportunities to consumers. In addition, relatively low interest rates have resulted in the increased purchasing power of the general public, further accelerating these retail trends.

Selecting properties with high quality tenants and mitigating risk through diversifying our tenant base is at the forefront of our acquisition strategy. We believe our strategy of purchasing properties, primarily in the fastest growing areas of the country and focusing on acquisitions with tenants who provide basic goods and services will produce stable earnings and growth opportunities in future years.

We are in the process of completing our initial offering of common stock and have raised $2,172,047,447 as of December 31, 2004. We raised on average approximately $237 million per month during the fourth quarter of 2004.

On December 28, 2004, our second offering was declared effective for up to 250,000,000 shares of common stock at $10 each and the issuance of up to 20,000,000 shares at $9.50 each, which may be distributed pursuant to our DRP. We began selling shares of the second offering in January 2005.

As of December 31, 2004, we owned through separate limited partnership, limited liability company, or joint venture agreements, a portfolio of 111 properties located in Alabama, Arizona, Arkansas, California, Colorado, Connecticut, Florida, Georgia, Illinois, Indiana, Kansas, Louisiana, Maryland, Michigan, Minnesota, Missouri, Nevada, New Mexico, New York, North Carolina, Oklahoma, Pennsylvania, South Carolina, Tennessee, Texas, Utah, Washington and Wisconsin containing an aggregate of approximately 20,231,000 square feet of gross leasable area. As of December 31, 2004, approximately 97% of gross leasable area in the properties was physically leased and 99% was economically leased.

Critical Accounting Policies and Estimates

GENERAL

The following disclosure pertains to critical accounting policies and estimates we believe are most "critical" to the portrayal of our financial condition and results of operations which require our most difficult, subjective or complex judgments. These judgments often result from the need to make estimates about the effect of matters that are inherently uncertain. Critical accounting policies discussed in this section are not to be confused with accounting principles and methods disclosed in accordance with accounting principles generally accepted in the United States of America or GAAP. GAAP requires information in financial statements about accounting principles, methods used and disclosures pertaining to significant estimates. This discussion addresses our judgment pertaining to trends, events or uncertainties known which were taken into consideration upon the application of those policies and the likelihood that materially different amounts would be reported upon taking into consideration different conditions and assumptions.

ACQUISITION OF INVESTMENT PROPERTY

We allocate the purchase price of each acquired investment property between land, building and improvements, acquired above market and below market leases, in-place lease value, and any assumed financing that is determined to be above or below market terms. In addition, we allocate a portion of the purchase price to the value of customer relationships. The allocation of the purchase price is an area that requires judgment and significant estimates. We use the information contained in the independent appraisal obtained at acquisition as the primary basis for the allocation to land and building and improvements. We determine whether any financing assumed is above or below market based

upon comparison to similar financing terms for similar investment properties. We also allocate a portion of the purchase price to the estimated acquired in-place lease costs based on estimated lease execution costs for similar leases as well as lost rent payments during assumed lease up period when calculating as if vacant fair values. We consider various factors including geographic location and size of leased space. We also evaluate each acquired lease based upon current market rates at the acquisition date and we consider various factors including geographical location, size and location of leased space within the investment property, tenant profile, and the credit risk of the tenant in determining whether the acquired lease is above or below market lease costs. After an acquired lease is determined to be above or below market lease costs, we allocate a portion of the purchase price to such above or below acquired lease costs based upon the present value of the difference between the contractual lease rate and the estimated market rate. However, for below market leases with fixed rate renewals, renewal periods are included in the calculation of below market in-place lease values. The determination of the discount rate used in the present value calculation is based upon the "risk free rate." This discount rate is a significant factor in determining the market valuation which requires our judgment of subjective factors such as market knowledge, economics, demographics, location, visibility, age and physical condition of the property.

IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with Statement of Financial Accounting Standards or SFAS No. 144, we conduct an analysis on a quarterly basis to determine if indicators of impairment exist to ensure that the property's carrying value does not exceed its fair value. If this were to occur, we are required to record an impairment loss. The valuation and possible subsequent impairment of investment properties is a significant estimate that can and does change based on our continuous process of analyzing each property and reviewing assumptions about uncertain inherent factors, as well as the economic condition of the property at a particular point in time. No impairment losses have been taken in 2003 or 2004.

COST CAPITALIZATION AND DEPRECIATION POLICIES

Our policy is to review all expenses paid and capitalize any items exceeding $5,000 which are deemed to be an upgrade or a tenant improvement. These costs are capitalized and are included in the investment properties classification as an addition to buildings and improvements.

Buildings and improvements are depreciated on a straight-line basis based upon estimated useful lives of 30 years for buildings and improvements, and 15 years for site improvements. The portion of the purchase price allocated to acquired above market costs and acquired below market costs are amortized on a straight-line basis over the life of the related lease as an adjustment to net rental income. Acquired in-place lease costs, customer relationship value, other leasing costs, and tenant improvements are amortized on a straight-line basis over the life of the related lease as a component of amortization expense.

The application of SFAS No. 141 and SFAS No. 142 resulted in the recognition upon acquisition of additional intangible assets and liabilities relating to our real estate acquisitions during the year ended December 31, 2004. The portion of the purchase price allocated to acquired above market lease costs and acquired below market lease costs are amortized on a straight-line basis over the life of the related lease as an adjustment to rental income. Amortization pertaining to the above market lease costs of $3,118,699 was applied as a reduction to rental income for the year ended December 31, 2004 and $5,227 for the period from March 5, 2003 (inception) to December 31, 2003. Amortization pertaining to the below market lease costs of $4,703,357 was applied as an increase to rental income for the year ended December 31, 2004 and $15,386 for the period from March 5, 2003 (inception) to December 31, 2003.

The portion of the purchase price allocated to acquired in-place lease costs are amortized on a straight line basis over the life of the related lease. We incurred amortization expense pertaining to acquired in-place lease costs of $9,923,630 for the year ended December 31, 2004 and $51,773 for the period from March 5, 2003 (inception) to December 31, 2003.

The portion of the purchase price allocated to customer relationship value is amortized on a straight-line basis over the life of the related lease.

The table below presents the amortization during the next five years related to the acquired in-place lease intangibles, customer relationship value, acquired above market lease costs and the below market lease costs for properties owned at December 31, 2004:

Amortization of:		2005	2006	2007	2008
Acquired above market lease costs	$	(5,576,668)	(5,391,370)	(4,558,366)	(4,275,216)
Acquired below market lease costs		9,930,801	9,166,611	8,238,008	7,337,557
Net rental income increase	$	4,354,133	3,775,241	3,679,642	3,062,341
Acquired in-place lease intangibles	$	(25,857,397)	(25,857,397)	(25,857,397)	(25,803,230)
Customer relationship value	$	(200,000)	(200,000)	(200,000)	(200,000)

Cost capitalization and the estimate of useful lives requires our judgment and includes significant estimates that can and do change based on our process which periodically analyzes each property and on our assumptions about uncertain inherent factors.

REVENUE RECOGNITION

We recognize rental income on a straight-line basis over the term of each lease. The difference between rental income earned on a straight-line basis and the cash rent due under the provisions of the lease agreements is recorded as deferred rent receivable and is included as a component of accounts and rents receivable in the accompanying consolidated balance sheets. We anticipate collecting these amounts over the terms of the leases as scheduled rent payments are made.

Reimbursements from tenants for recoverable real estate tax and operating expenses are accrued as revenue in the period the applicable expenditures are incurred. We make certain assumptions and judgments in estimating the reimbursements at the end of each reporting period. Should the actual results differ from our judgment, the estimated reimbursement could be negatively affected and would be adjusted appropriately.

In conjunction with certain acquisitions, we receive payments under master lease agreements pertaining to certain, non-revenue producing spaces either at the time of, or subsequent to, the purchase of some of our properties. Upon receipt of the payments, the receipts are recorded as a reduction in the purchase price of the related properties rather than as rental income. These master leases were established at the time of purchase in order to mitigate the potential negative effects of loss of rent and expense reimbursements. Master lease payments are received through a draw of funds escrowed at the time of purchase and may cover a period from one to three years. These funds may be released to either us or the seller when certain leasing conditions are met. Restricted cash includes funds received by third party escrow agents, from sellers, pertaining to master lease agreements. We record such escrows as both an asset and a corresponding liability, until certain leasing conditions are met.

We record lease termination income if there is a signed termination letter agreement, all of the conditions of the agreement have been met, and the tenant is no longer occupying the property.

INTEREST RATE FUTURES CONTRACTS

We enter into interest rate futures contracts or treasury contracts as a means of reducing our exposure to rising interest rates. At inception, contracts are evaluated in order to determine if they will qualify for hedge accounting treatment and will be accounted for either on a deferral, accrual or market value basis depending on the nature of our hedge

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strategy and the method used to account for the hedged item. Hedge criteria include demonstrating the manner in which the hedge will reduce risk, identifying the specific asset, liability or firm commitment being hedged, and citing the time horizon being hedged.

For the year ended December 31, 2004, the Company entered into treasury contracts with a futures commission merchant with yields ranging from 3.27% to 3.85% for 5 year treasury contracts and 4.00% to 4.63% for 10 year treasury contracts. On December 31, 2004, the treasury contracts had a liquidation value of $46,005 resulting in a loss of $3,666,894 for the year ended December 31, 2004. As these treasury contracts are not offsetting future commitments and therefore do not qualify as hedges, the net loss is recognized currently in earnings.

Liquidity and Capital Resources

GENERAL

Our principal demands for funds have been for property acquisitions, for the payment of operating expenses and distributions, and for the payment of interest on outstanding indebtedness. Generally, cash needs for items other than property acquisitions have been met from operations, and property acquisitions have been funded by a public offering of our shares of common stock. However, there may be a passage of time between the sale of the shares and our purchase of properties, which may result in a delay in the benefits to stockholders of returns generated from property operations. Our business manager/advisor evaluates potential additional property acquisitions and Inland Real Estate Acquisitions, Inc., one of the affiliates of our sponsor, engages in negotiations with sellers on our behalf. After a purchase contract is executed which contains specific terms, the property will not be purchased until due diligence, which includes review of the title insurance commitment, an appraisal and an environmental analysis, is successfully completed. In some instances, the proposed acquisition still requires the negotiation of final binding agreements, which may include financing documents. During this period, we may decide to temporarily invest any unused proceeds from the offering in certain investments that could yield lower returns than other investments, such as the acquisition of properties. These lower returns may affect our ability to make distributions.

Potential future sources of capital include proceeds from the public or private offering of our equity or debt securities, secured or unsecured financings from banks or other lenders, proceeds from the sale of properties, as well as undistributed funds from operations. We anticipate that during the current year we will (i) acquire additional existing shopping centers and net leased properties, (ii) begin to develop additional shopping center sites and (iii) continue to pay distributions to stockholders, and each is expected to be funded mainly from proceeds of our public offerings of shares, cash flows from operating activities, financings and other external capital resources available to us.

Our leases typically provide that the tenant bears responsibility for substantially all property costs and expenses associated with ongoing maintenance and operation, including utilities, property taxes and insurance. In addition, in some instances our leases provide that the tenant is responsible for roof and structural repairs. Certain of our properties are subject to leases under which we retain responsibility for certain costs and expenses associated with the property. We anticipate that capital demands to meet obligations related to capital improvements with respect to properties will be minimal for the foreseeable future and can be met with funds from operations and working capital. We believe that our current capital resources (including cash on hand) and anticipated financings are sufficient to meet our liquidity needs for the foreseeable future.

LIQUIDITY

OFFERING. As of December 31, 2004, subscriptions for the initial public offering for a total of 217,467,878 shares had been received from the public, which include the 20,000 shares issued to the business manager/advisor and 3,079,003 shares sold pursuant to the DRP as of December 31, 2004. As a result of such sales, we received a total of $2,172,047,447 of gross offering proceeds for the initial public offering as of December 31, 2004.

On December 28, 2004, our second offering was declared effective for up to 250,000,000 shares of common stock at $10 each and the issuance of up to 20,000,000 shares at $9.50 each, which may be distributed pursuant to our DRP. We began selling shares of the second offering in early January 2005.

MORTGAGE DEBT. Mortgage loans outstanding as of December 31, 2004 were $1,782,538,627 and had a weighted average interest rate of 4.58%. Of this amount, $1,635,745,627 had fixed rates ranging from 3.96% to 8.02% and a weighted average fixed rate of 4.67% at December 31, 2004. The rate of 8.02% represented the interest rate on the mortgage for Cardiff Hall East (Cardiff), a joint venture entity which we consolidate. Excluding the Cardiff mortgage, the highest fixed rate on our mortgage debt was 6.34%. The remaining $146,793,000 represented variable rate loans with a weighted average interest rate of 3.55% at December 31, 2004. As of December 31, 2004, scheduled maturities for our outstanding mortgage indebtedness had various due dates through August 2023.

During the period from January 1, 2005 through February 28, 2005 we obtained mortgage financing on properties that we purchased during 2004 and 2005 totaling approximately $276 million that require monthly payments of interest only and bear interest at a range of 4.30% to 5.69% per annum.

LINE OF CREDIT. On December 24, 2003, we entered into a $150,000,000 unsecured line of credit arrangement with a bank for a period of one year. The funds from this line of credit were used to provide liquidity from the time a property was purchased until permanent debt was placed on the property. We were required to pay interest only on the outstanding balance from time to time under the line at the rate equal to LIBOR plus 175 basis points. We were also required to pay, on a quarterly basis, an amount ranging from .15% to .30%, per annum, on the average daily undrawn funds remaining under this line. The line of credit required compliance with certain covenants, such as debt service ratios, minimum net worth requirements, distribution limitations and investment restrictions. As of December 31, 2003, we were in compliance with such covenants. In connection with obtaining this line of credit, we paid fees in an amount totaling approximately $1,044,000 (which included a .65% commitment fee). The outstanding balance on the line of credit was $5,000,000 as of December 31, 2003 with an effective interest rate of 2.9375% per annum.

On December 16, 2004, we terminated the existing line of credit agreement and executed a new unsecured line of credit facility with a bank for up to $100,000,000 with an optional unsecured borrowing capacity of $150,000,000 for a total unsecured borrowing capacity of $250,000,000. The facility has an initial term of one year with two one-year extension options, with an annual variable interest rate. The funds from this line of credit may be used to provide liquidity from the time a property is purchased until permanent debt is placed on that property. The line of credit requires interest only payments monthly at the rate equal to the London InterBank Offered Rate or LIBOR plus 175 basis points which ranged from 2.34% to 2.42% during the quarter ended December 31, 2004. We are also required to pay, on a quarterly basis, an amount ranging from .15% to .25%, per annum, on the average daily undrawn funds under this line. The line of credit requires compliance with certain covenants, such as debt service ratios, minimum net worth requirements, distribution limitations and investment restrictions. As of December 31, 2004, we were in compliance with such covenants. There was no outstanding balance on the line as of December 31, 2004.

STOCKHOLDER LIQUIDITY. We provide the following programs to facilitate investment in the shares and to provide limited, interim liquidity for stockholders until such time as a market for the shares develops:

The DRP allows stockholders who purchase shares pursuant to the offerings to automatically reinvest distributions by purchasing additional shares from us. Such purchases will not be subject to selling commissions or the marketing contribution and due diligence expense allowance and will be sold at a price of $9.50 per share. As of December 31, 2004, we issued 3,079,003 shares pursuant to the DRP for an aggregate amount of $29,250,830.

Subject to certain restrictions, the SRP provides existing stockholders with limited, interim liquidity by enabling them to sell shares back to us at the following prices:

One year from the purchase date, at $9.25 per share;
Two years from the purchase date, at $9.50 per share;
Three years from the purchase date, at $9.75 per share; and
Four years from the purchase date, at the greater of $10.00 per share, or a price equal to 10 times our "funds available for distribution" per weighted average shares outstanding for the prior calendar year.

Shares purchased by us will not be available for resale. As of December 31, 2004, 10,350 shares have been repurchased for a total of $192,667.

CAPITAL RESOURCES

We expect to meet our short-term operating liquidity requirements generally through our net cash provided by property operations. We also expect that our properties will generate sufficient cash flow to cover our operating expenses plus pay a monthly distribution on our weighted average shares. Operating cash flows are expected to increase as additional properties are added to our portfolio.

We believe that we should put mortgage debt on or leverage our properties at approximately 50% of their value. We also believe that we can borrow at the lowest overall cost of funds or interest rate by placing individual financing on each of our properties. Accordingly, mortgage loans will generally have been placed on each property at the time that the property is purchased, or shortly thereafter, with the property solely securing the financing.

During the year ended December 31, 2004, we closed on mortgage debt with a principal amount of $1,753,086,923. Of this amount, $1,606,293,923 represented fixed rate loans which bear interest rates between 3.96% and 8.02%. The rate of 8.02% represented the interest rate on the mortgage for Cardiff Hall East (Cardiff), a joint venture entity which we consolidate. Excluding the Cardiff mortgage, the highest fixed rate on our mortgage debt was 6.34%. The remaining $146,793,000 represented variable rate loans with a weighted average interest rate of 3.55% at December 31, 2004.

With the exception of the mortgage loans on Plaza Santa Fe II, Shops at Forest Commons and Henry Town Center, all of the loans that closed during the year ended December 31, 2004 may be prepaid with a penalty after specific lockout periods. The mortgage loans on Plaza Santa Fe II, Shops at Forest Commons and Henry Town Center, have no prepayment privileges.

We have entered into interest rate lock agreements with various lenders to secure interest rates on mortgage debt on properties we currently own or will purchase in the future. We have outstanding rate lock deposits in the amount of $2,826,055 as of December 31, 2004 which are applied as credits to the mortgage fundings as they occur. These agreements lock interest rates from 4.45% to 5.12% for periods from 60 days to 90 days on approximately $240 million in principal.

During the period from January 1, 2005 to February 28, 2005, we entered into rate lock agreements which lock interest rates from 4.47% to 4.69% for periods from 30 days to 90 days on approximately $300 million in principal.

Although the loans we closed are generally non-recourse, occasionally, when it is deemed to be advantageous, we may guarantee all or a portion of the debt on a full-recourse basis. Individual decisions regarding interest rates, loan-to-value, fixed versus variable-rate financing, maturity dates and related matters are often based on the condition of the financial markets at the time the debt is incurred, which conditions may vary from time to time.

Distributions are determined by our board of directors with the advice of our business manager/advisor and are dependent on a number of factors, including the amount of funds available for distribution, flow of funds, our financial condition, any decision by our board of directors to reinvest funds rather than to distribute the funds, our capital expenditures, the annual distribution required to maintain REIT status under the Internal Revenue Code and other factors the board of directors may deem relevant.

CASH FLOWS FROM OPERATING ACTIVITIES

Net cash generated from operating activities was approximately $63,520,000 for the year ended December 31, 2004 and $724,000 for, the period from March 5, 2003 (inception) to December 31, 2003. The increase in net cash provided by operating activities for the year ended December 31, 2004 compared to prior year is due primarily to the additional rental revenues and income generated from the operations of 103 additional properties purchased during the year ended December 31, 2004, compared to eight properties purchased for the period from March 5, 2003 (inception) to December 31, 2003.

CASH FLOWS FROM INVESTING ACTIVITIES

Cash flows used in investing activities were approximately $3,243,055,000 for the year ended December 31, 2004 and $133,425,000 for the period from March 5, 2003 (inception) to December 31, 2003. The cash flows used in investing activities were primarily due to the acquisition of 103 and eight properties for approximately $3,201,247,000 and $127,196,000 during the year ended December 31, 2004 and the period from March 5, 2003 (inception) to December 31, 2003, respectively.

As of February 28, 2005, we had approximately $550 million available for investment in additional properties. As of February 28, 2005, we are considering the acquisition of approximately $226 million in properties. We are currently in the process of obtaining financings on properties which have been purchased, as well as certain of the properties which we anticipate purchasing. It is our intention to finance each of our acquisitions either at closing or subsequent to closing. As a result of the intended financings and based on our current experience in raising funds in our offerings, we believe that we will have sufficient resources to acquire these properties.

CASH FLOWS FROM FINANCING ACTIVITIES

Cash flows provided by financing activities were approximately $3,356,378,000 for the year ended December 31, 2004 and $197,082,000 for the period from March 5, 2003 (inception) to December 31, 2003. We generated proceeds from the sale of shares, net of offering costs paid and shares repurchased, of approximately $1,774,231,000 and $166,552,000, respectively. We generated approximately $1,653,523,000 and $29,627,000 from the issuance of new mortgages secured by 97 and two of our properties. We generated $165,000,000 and $5,000,000 from funding on the line of credit. We paid approximately $16,613,000 and $4,023,000 for loan fees and approximately $54,542,000 and $358,000 in distributions to our stockholders. The sponsor has agreed to advance us amounts to pay a portion of these distributions until funds available for distribution are sufficient to cover distributions. In addition, $170,000,000 and $0 was paid off on the line of credit for the year ended December 31, 2004 and the period from March 5, 2003 (inception) to December 31, 2003, respectively.

Given the current size of our offerings, as of February 28, 2005, we could raise approximately $2.4 billion of additional capital. However, there can be no assurance that we will raise this amount of money or that we will be able to acquire additional attractive properties.

We are exposed to interest rate changes primarily as a result of our long-term debt used to maintain liquidity and fund capital expenditures and expansion of our real estate investment portfolio and operations. Our interest rate risk management objectives are to limit the impact of interest rate changes on earnings and cash flows and to lower our overall borrowing costs. To achieve our objectives we borrow primarily at fixed rates or variable rates with the lowest margins available and, in some cases, with the ability to convert variable rates to current market fixed rates at the time of conversion.

Effects of Transactions with Related and Certain Other Parties

SERVICES PROVIDED BY AFFILIATES OF THE BUSINESS MANAGER/ADVISOR As of December 31, 2004 and December 31, 2003, we had incurred $234,014,231 and $22,144,814, respectively of offering costs, of which $175,508,624 and $16,854,779, respectively were paid or accrued to affiliates. In accordance with the terms of our offerings, our business manager/advisor has guaranteed payment of all public offering expenses (excluding sales commissions and the marketing contribution and the due diligence expense allowance) in excess of 5.5% of the gross proceeds of the offerings or gross offering proceeds or all organization and offering expenses (including selling commissions) which together exceed 15% of gross offering proceeds. As of December 31, 2004 and December 31, 2003, offering costs did not exceed the 5.5% and 15% limitations. We anticipate that these costs will not exceed these limitations upon completion of the offerings. Any excess amounts at the completion of the offerings will be reimbursed by our business manager/advisor.

Our business manager/advisor and its affiliates are entitled to reimbursement for salaries and expenses of employees of our business manager/advisor and its affiliates relating to the offerings. In addition, an affiliate of our business manager/advisor is entitled to receive selling commissions, and the marketing contribution and due diligence expense allowance from us in connection with the offerings. Such costs are offset against the stockholders' equity accounts.

Such costs totaled $175,508,624 and $16,859,779, of which $2,879,894 and $1,061,791 were unpaid at December 31, 2004 and December 31, 2003, respectively.

Our business manager/advisor and its affiliates are entitled to reimbursement for general and administrative expenses relating to our administration. Such costs are included in general and administrative expenses to affiliates, in addition to costs that were capitalized pertaining to property acquisitions. During the year ended December 31, 2004 and the period from March 5, 2003 (inception) to December 31, 2003, we incurred $1,542,986 and $194,017 of these costs, respectively, of which $957,471 and $40,703 remained unpaid as of December 31, 2004 and December 31, 2003, respectively, and are included in Due to affiliates on the Consolidated Balance Sheets.

An affiliate of our business manager/advisor provides loan servicing to us for an annual fee. Such costs are included in property operating expenses to affiliates. The agreement allows for annual fees totaling .03% of the first $1 billion in mortgage balance outstanding and .01% of the remaining mortgage balance, payable monthly. Such fees totaled $140,859 for the year ended December 31, 2004 and $328 for the period from March 5, 2003 (inception) to December 31, 2003.

We use the services of an affiliate of our business manager/advisor to facilitate the mortgage financing that we obtained on some of the properties purchased. We pay the affiliate .02% of the principal balance of mortgage loans obtained. Such costs are capitalized as loan fees and amortized over the respective loan term. During the year ended December 31, 2004 and for the period from March 5, 2003 (inception) to December 31, 2003, we paid loan fees totaling $3,475,472 and $59,523, respectively, to this affiliate.

We may pay an advisor asset management fee of not more than 1% of our average assets. Our average asset value is defined as the average of the total book value, including acquired intangibles, of our real estate assets invested in equity interests plus our loans receivable secured by real estate, before reserves for depreciation, reserves for bad debt or other similar non-cash reserves. We compute our average assets by taking the average of these values at the end of each month for which we are calculating the fee. The fee would be payable quarterly in an amount equal to 1/4 of 1% of average assets as of the last day of the immediately preceding quarter. For any year in which we qualify as a REIT, our advisor must reimburse us for the following amounts if any: (1) the amounts by which our total operating expenses, the sum of the advisor asset management fee plus other operating expenses, paid during the previous fiscal year exceed the greater of: (i) 2% of our average assets for that fiscal year, or (ii) 25% of our net income for that fiscal year; plus (2) an amount, which will not exceed the advisor asset management fee for that year, equal to any difference between the total amount of distributions to stockholders for that year and the 6% minimum annual return on the net investment of stockholders. For the year ended December 31, 2004 and the period from March 5, 2003 (inception) to December 31, 2003, we neither paid nor accrued such fees because our business manager/advisor agreed to forego such fees for those periods.

The property managers, entities owned principally by individuals who are affiliates of our business manager/advisor, are entitled to receive property management fees totaling 4.5% of gross operating income, for management and leasing services. We incurred property management fees of $5,381,721 and $16,627 for the year ended December 31, 2004 and the period from March 5, 2003 (inception) to December 31, 2003, respectively. None remained unpaid as of December 31, 2004 or December 31, 2003.

We established a discount stock purchase policy for our affiliates and affiliates of our business manager/advisor that enables the affiliates to purchase shares of common stock at either $8.95 or $9.50 a share depending on when the shares are purchased. We sold 605,060 and 59,497 shares of common stock to affiliates and recognized an expense related to these discounts of $427,122 and $62,472 for the year ended December 31, 2004 and the period from March 5, 2003 (inception) to December 31, 2003, respectively.

As of December 31, 2004 and December 31, 2003, we were due funds from our affiliates in the amount of $654,004 and $918,750, respectively, which is comprised of $654,004 and $845,000, respectively, which is due from our sponsor for reimbursement of a portion of distributions paid. The remaining $73,750 as of December 31, 2003 is due from an affiliate for costs paid on their behalf by us. Our sponsor has agreed to advance to us amounts to pay a portion of distributions to our stockholders until funds available for distribution are sufficient to cover the distributions. Our sponsor forgave $2,369,139 of these amounts during the second quarter of 2004 and these funds are no longer due. As

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of December 31, 2004 and December 31, 2003, we owe funds to our sponsor in the amount of $3,522,670 and $1,202,519, respectively, for repayment of the funds advanced for payment of distributions.

Off-Balance Sheet Arrangements, Contractual Obligations, Liabilities and Contracts and Commitments

The table below presents our obligations and commitments to make future payments under debt obligations and lease agreements as of December 31, 2004.

Contractual Obligations   Payments due by period

		Total	Less than 1 year	1-3 years	3-5
Long-Term Debt:					
Fixed rate	$	2,065,626,447	77,170,997	210,970,182	1,1
Variable rate		168,873,039	20,552,746	10,900,759	1
Ground lease payments	$	358,535,876	3,186,464	6,426,415	

The table includes interest payments to which we are contractually obligated under long term debt agreements.

We lease land under non-cancelable leases at certain of the properties expiring in various years from 2028 to 2096. The property attached to the land will revert back to the lessor at the end of the lease.

CONTRACTS AND COMMITMENTS

We have closed on several properties which have earnout components, meaning that we did not pay for portions of these properties that were not rent producing. We are obligated, under certain agreements, to pay for those portions when the tenant moves into its space and begins to pay rent. The earnout payments are based on a predetermined formula. Each earnout agreement has a time limit regarding the obligation to pay any additional monies. If at the end of the time period allowed certain space has not been leased and occupied, we will own that space without any further obligation. Based on pro forma leasing rates, we may pay as much as $189,042,868 in the future, as retail space covered by earnout agreements is occupied and becomes rent producing.

During 2004, we entered into two installment note agreements in which we are obligated to fund up to a total of $33,398,314. The notes maintain stated interest rates of 6.993% and 7.5572% per annum and mature in July 2005 and August 2005, respectively. Each note requires monthly interest payments with the entire principal balance due at maturity. The combined receivable balance at December 31, 2004 was $31,771,731. Therefore, we may be required to fund up to an additional $1,626,583 on these notes.

We have obtained three irrevocable letters of credit related to loan fundings against earnout spaces at certain properties. Once we purchase the remaining portion of these properties and meet certain occupancy requirements, the letters of credit will be released. The balance of outstanding letters of credit at December 31, 2004 is $11,573,100.

In connection with the purchase of one of our properties, we received a price adjustment in the amount of $763,072 related to spaces that were vacant at the time of closing. If at any time during the next two years the seller is able to lease that space under conditions satisfactory to us, we are obligated to pay the seller a pro-rata share of the purchase price reduction.

We have entered into interest rate lock agreements with various lenders to secure interest rates on mortgage debt on properties we currently own or will purchase in the future. We have outstanding rate lock deposits in the amount of $2,826,055 as of December 31, 2004 which are applied as credits to the mortgage fundings as they occur. These agreements lock interest rates from 4.45% to 5.12% for periods from 60 days to 90 days on approximately $240 million in principal.

Subsequent to December 31, 2004, we purchased 12 properties for a purchase price of approximately $260 million. In addition, we are currently considering acquiring nine properties for an estimated purchase price of $226 million. Our decision to acquire each property generally depends upon no material adverse change occurring relating to the property, the tenants or in the local economic conditions, and our receipt of satisfactory due diligence information including appraisals, environmental reports and lease information prior to purchasing the property.

Results of Operations

GENERAL

The following discussion is based primarily on our consolidated financial statements as of December 31, 2004 and for the period from March 5, 2003 (inception) to December 31, 2003.

Quarter Ended	Properties Purchased per Quarter	Square Feet Acquired		Purchase Price
March 31, 2003	None	N/A		N/A
June 30, 2003	None	N/A		N/A
September 30, 2003	None	N/A		N/A
December 31, 2003	8	797,551	$	127,195,000
March 31, 2004	11	2,115,280	$	384,053,000
June 30, 2004	23	4,177,286	$	713,925,000
September 30, 2004	26	5,705,453	$	869,128,000
December 31, 2004	43	7,435,554	$	1,241,693,000
Total	111	20,231,124	$	3,335,994,000

RENTAL INCOME, TENANT RECOVERIES AND OTHER PROPERTY INCOME. Rental income consists of basic monthly rent and percentage rental income due pursuant to tenant leases. Tenant recovery and other property income consist of property operating expenses recovered from the tenants including real estate taxes, property management fees and insurance. Rental income was $106,424,663 and $606,646 and all additional property income was $23,979,918 and $137,988 for the year ended December 31, 2004 and for the period from March 5, 2003 (inception) to December 31, 2003, respectively.

OTHER INCOME. Other income consists of interest income earned primarily on short term investments that are held by us and other non-operating income earned by us. Other income was $3,681,067 and $37,648, respectively, for the year ended December 31, 2004 and the period from March 5, 2003 (inception) to December 31, 2003.

GENERAL AND ADMINISTRATIVE EXPENSES. General and administrative expenses consist of salaries and computerized information services costs reimbursed to affiliates for maintaining our accounting and investor records, affiliates common share purchase discounts, insurance, postage, printer costs and fees paid to accountants and lawyers. These expenses were $4,857,101 for the year ended December 31, 2004 and $459,476 for the period from March 5, 2003 (inception) to December 31, 2003 and resulted from increased services required as we acquire properties and grow our portfolio of investment properties and our investor base.

PROPERTY OPERATING EXPENSES. Property operating expenses consist of property management fees and property operating expenses, including real estate taxes, costs of owning and maintaining shopping centers, insurance, and maintenance to the exterior of the buildings and the parking lots. These expenses were $32,521,195 for the year ended December 31, 2004 and $143,244 for the period from March 5, 2003 (inception) to December 31, 2003.

DEPRECIATION AND AMORTIZATION. Depreciation expense was $36,113,611 and $140,497 and is due to depreciation on the properties owned during the year ended December 31, 2004 and the period from March 5, 2003 (inception) to December 31, 2003, respectively. Amortization expense was $11,859,597 and $76,608, respectively, and is due to the application of SFAS 141 and SFAS 142 resulting from the amortization of intangible assets of approximately $250

million and loan and leasing fees of $12 million during the year ended December 31, 2004 and intangible assets of approximately $9 million and loan and leasing fees of $1 million during the period from March 5, 2003 (inception) to December 31, 2003.

INTEREST. Interest was $33,174,623 for the year ended December 31, 2004 and is due to the financing on 97 properties as of December 31, 2004 and funds drawn during the first quarter of 2004 on the line of credit. Interest was $135,735 for the period from March 5, 2003 (inception) to December 31, 2003 and is due to the financing on two properties as of December 31, 2003.

Subsequent Events

We issued 42,629,352 shares of common stock and repurchased 28,459 shares of common stock from January 1, 2005 through February 28, 2005, resulting in a total of 260,058,421 shares of common stock outstanding. As of February 28, 2005, subscriptions for a total of 255,692,354 shares were received resulting in total gross offering proceeds of $2,555,826,905. An additional 4,404,876 shares were issued pursuant to the DRP for $41,846,623 of additional gross proceeds and 38,809 were repurchased in connection with the SRP for $455,916.

We paid distributions of $11,377,712 and $12,232,404 to its stockholders in January and February 2005, respectively.

We have acquired the following properties during the period January 1 to February 28, 2005. The respective acquisitions are detailed in the table below.

DATE ACQUIRED	PROPERTY	YEAR BUILT	APPROXIMATE PURCHASE PRICE ($)	GROSS LE ARE (SQ. F
01/05/05	Fairgrounds Plaza Middletown, NY	2002- 2004	21,994,125	
01/06/05	Maytag Distribution Center Iowa City, IA	2004	23,159,499	
01/10/05	Midtown Center Milwaukee, WI	1986- 1987	53,000,000	
01/10/05	Hobby Lobby	2004	5,500,000	

	Concord, NC		
01/19/05	Stanley Works/Mac Tools Westerville, OH	2004	10,000,000
01/25/05	American Express Markham, Ontario, Canada	1983 & 1987	42,000,000
01/28/05	Academy Sports San Antonio, TX	2004	7,150,000
02/01/05	Magnolia Square Houma, LA	2004	19,113,739
02/02/05	Cottage Plaza Pawtucket, RI	2004-2005	23,439,950
02/09/05	The Village at Quail Springs Oklahoma City, OK	2003-2004	10,428,978
02/11/05	Holliday Towne Center Duncansville, PA	2003	14,827,645

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DATE ACQUIRED	PROPERTY	YEAR BUILT	APPROXIMATE PURCHASE PRICE ($)	GROSS LEASABLE AREA (SQ. FT.)	
02/18/05	Trenton Crossing McAllen, TX	2003	29,212,209	221,019	Hob Ros Mar

The mortgage debt and financings obtained during the period January 1 to February 28, 2005, are detailed in the table below.

DATE FUNDED	MORTGAGE PAYABLE	ANNUAL INTEREST RATE	MATURIT DATE
01/05/05	Fairgrounds Plaza Middletown, NY	5.690%	02/01/3
01/24/05	Hobby Lobby Concord, NC	5.115%	02/01/1
01/25/05	American Express Markham, Ontario, Canada	4.2975%	02/01/1
01/28/05	Coram Plaza Coram, NY	4.550%	02/01/1

01/31/05	Low Country Village II Bluffton, SC	5.130%	05/01/0
01/31/05	Irmo Station Irmo, SC	5.1236%	02/01/1
02/01/05	Evans Towne Centre Evans, GA	4.670%	02/01/1
02/03/05	Magnolia Square Houma, LA	5.115%	03/01/1
02/04/05	Green's Corner Cumming, GA	4.500%	02/11/1
02/04/05	Newton Crossroads Covington, GA	4.500%	02/11/1
02/04/05	Stilesboro Oaks Acworth, GA	4.500%	02/11/1
02/09/05	Five Forks Simpsonville, NC	4.815%	02/11/1
02/14/05	University Town Center Tuscaloosa, AL	4.430%	03/01/1
02/14/05	Edgemont Town Center Homewood, AL	4.430%	03/01/1
02/15/05	Southlake Town Square Southlake, TX	4.550%	03/11/1
02/17/05	Midtown Center Milwaukee, WI	4.460%	03/11/1
02/17/05	McAllen Shopping Center McAllen, TX	5.060%	03/01/1

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DATE FUNDED	MORTGAGE PAYABLE	ANNUAL INTEREST RATE	MATURIT DATE
02/18/05	Southlake Town Square II Southlake, TX	4.550%	03/11/1
02/18/05	Mesa Fiesta Mesa, AZ	5.300%	02/01/1
02/24/05	Academy Sports San Antonio, TX	5.060%	03/01/1
02/25/05	The Village at Quail Springs Oklahoma City, OK	5.060%	03/01/1

We are obligated under earnout agreements to pay for certain tenant space in our existing properties after the tenant moves into its space and begins paying rent. During the period from January 1 to February 28, 2005, we funded earnouts totaling $20,552,372 at seven of our existing properties.

We are currently considering acquiring nine properties for an estimated purchase price of $226 million. Our decision to acquire each property will generally depend upon no material adverse change occurring relating to the property, the tenants or in the local economic conditions, and our receipt of satisfactory due diligence information including appraisals, environmental reports and lease information prior to purchasing the property.

During the period from January 1, 2005 to February 28, 2005, we entered into rate lock agreements which lock interest rates from 4.47% to 4.69% for periods from 30 days to 90 days on approximately $300 million in principal.

Inflation

For our multi-tenant shopping centers, inflation is likely to increase rental income from leases to new tenants and lease renewals, subject to market conditions. Our rental income and operating expenses for those properties owned, or to be owned and operated under net leases, are not likely to be directly affected by future inflation, since rents are or will be fixed under the leases and property expenses are the responsibility of the tenants. The capital appreciation of net leased properties is likely to be influenced by interest rate fluctuations. To the extent that inflation determines interest rates, future inflation may have an effect on the capital appreciation of net leased properties. As of December 31, 2004, we owned 24 single-user net leased properties.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We may be exposed to interest rate changes primarily as a result of long-term debt used to maintain liquidity and fund capital expenditures and expansion of our real estate investment portfolio and operations. Our interest rate risk management objectives will be to limit the impact of interest rate changes on earnings and cash flows and to lower its overall borrowing costs. To achieve our objectives we will borrow primarily at fixed rates or variable rates with the lowest margins available and in some cases, with the ability to convert variable rates to fixed rates.

We may use derivative financial instruments to hedge exposures to changes in interest rates on loans secured by our properties. To the extent we do, we are exposed to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes us, which creates credit risk for us. When the fair value of a derivative contract is negative, we owe the counterparty and, therefore, it does not possess credit risk. It is our policy to enter into these transactions with the same party providing the financing, with the right of offset. In the alternative, we will minimize the credit risk in derivative instruments by entering into transactions with high-quality counterparties. Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. The market risk associated with interest-rate contracts is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken.

For the year ended December 31, 2004, we entered into treasury contracts with a futures commission merchant with yields ranging from 3.27% to 3.85% for 5 year treasury contracts and 4.00% to 4.63% for 10 year treasury contracts.

On December 31, 2004, the treasury contracts had a liquidation value of $46,005 resulting in a loss of $3,666,894 for the year ended December 31, 2004. As these treasury contracts are not offsetting future commitments and therefore do not qualify as hedges, the net loss is recognized currently in earnings. To offset the net loss recognized on the treasury contracts, we took advantage of the lower treasury yields which caused the loss on the treasury contracts and secured permanent financing in the amount of approximately $835,000,000 for pending acquisitions.

With regard to variable rate financing, we assess interest rate cash flow risk by continually identifying and monitoring changes in interest rate exposures that may adversely impact expected future cash flows and by evaluating hedging opportunities. We maintain risk management control systems to monitor interest rate cash flow risk attributable to both of our outstanding or forecasted debt obligations as well as our potential offsetting hedge positions. The risk management control systems involve the use of analytical techniques, including cash flow sensitivity analysis, to estimate the expected impact of changes in interest rates on our future cash flows.

While this hedging strategy is intended to reduce our exposure to interest rate fluctuations, the result may be a reduction in overall returns on your investment.

The fair value of our debt approximates its carrying amount as of December 31, 2004.

Our interest rate risk is monitored using a variety of techniques. The table below presents the principal amounts and weighted average interest rates by year and expected maturity to evaluate the expected cash flows and sensitivity to interest rate changes.

	2005	2006	2007	2008	
Maturing debt					
Fixed rate debt (mortgage loans)	920,574	981,221	57,906,321	47,322,706	960
Variable rate debt (including note payable)	15,672,533	1,212,575	637,533	637,533	111
Average interest rate on debt:					
Fixed rate debt	5.91%	5.92%	4.50%	4.67%	
Variable rate debt	4.23%	3.56%	4.75%	4.75%	

We have $147,368,042 of debt (including note payable) bearing variable rate interest averaging 3.55% as of December 31, 2004. An increase in the variable interest rate on this debt constitutes a market risk. If interest rates increase by 1%, based on debt outstanding as of December 31, 2004, interest expense increases by $1,473,680 on an annual basis.

The table incorporates only those exposures that exist as of December 31, 2004. It does not consider those exposures or positions that could arise after that date. The information presented herein is merely an estimate and has limited predictive value. As a result, the ultimate realized gain or loss with respect to interest rate fluctuations will depend on the exposures that arise during the period, our hedging strategies at that time, and future changes in the level of interest rates.

SHARES ELIGIBLE FOR FUTURE SALE

INDEPENDENT DIRECTOR STOCK OPTION PLAN

THE DISCUSSION INCLUDED IN THIS SUBSECTION, WHICH STARTS ON PAGE 333 OUR PROSPECTUS, IS SUPERCEDED IN THE ENTIRETY AND REPLACED BY THE FOLLOWING:

We have established an independent director stock option plan for the purpose of attracting and retaining independent directors. See "Management--Independent Director Stock Option Plan." We have issued in the aggregate options to purchase 17,500 shares of our common stock to our independent directors, at the exercise price of $8.95 per share.

One-third of the shares will be exercisable upon their grant. An additional 63,500 shares will be available for future option grants under the independent director stock option plan. See "Management--Independent Director Stock Option Plan" for additional information regarding the independent director stock option plan. Rule 701 under the Securities Act provides that common stock acquired on the exercise of outstanding options by affiliates may be resold by them subject to all provisions of Rule 144 except its one-year minimum holding period. We intend to register the common stock to be issued under the independent director stock option plan in a registration statement or statements on SEC Form S-8 or other appropriate form.

SUMMARY OF OUR ORGANIZATIONAL DOCUMENTS

THE DISCUSSION UNDER THIS HEADING, WHICH STARTS ON PAGE 335 OF OUR PROSPECTUS IS MODIFIED TO ADD A THIRD PARAGRAPH AS FOLLOWS:

On February 10, 2005, our Board of Directors approved the second amended and restated bylaws, which was effective as of that date. The bylaws were amended and restated to include the right of the majority of outstanding shares having the ability to vote to amend the articles, terminate our Company or remove any member of our Board of Directors. The bylaws were additionally amended to not allow any shares held by the business manager/advisor or the Board of Directors, and any affiliates the right to vote or consent on matters submitted to the shareholders regarding the removal of the business manager/advisor, Board of Directors or any affiliate or any transaction between us and any of the above referenced affiliated shareholders. The second amended and restated bylaws of Inland Western Retail Real Estate Trust, Inc., is filed as an exhibit to the registration statement of which this prospectus is a part and is incorporated into this filing in its entirety.

STOCKHOLDERS' MEETINGS

Our board of directors has set the annual meeting of the stockholders to be held on June 7, 2005, at 9:00 a.m., at our offices located at 2901 Butterfield Road, Oak Brook, IL. The meeting will be for stockholders of record as of March 31, 2005.

PLAN OF DISTRIBUTION

THE THIRD PARAGRAPH, UNDER THE SECTION "GENERAL", WHICH STARTS ON PAGE 360 OF OUR PROSPECTUS, HAS BEEN SUPERCEDED IN THE ENTIRETY TO READ AS FOLLOWS:

Our dealer manager is a wholly owned subsidiary of our sponsor, Inland Real Estate Investment Corporation. Our dealer manager was also the dealer manager for the offerings for Inland Real Estate Corporation and Inland Retail Real Estate Trust, Inc., and will be the dealer manager for Inland American Real Estate Trust, Inc. once the offering becomes effective. Inland Real Estate Corporation raised approximately $696,827,000 in its offerings. Inland Retail Real Estate Trust, Inc. raised approximately $2,262,000,000 in its offerings. Inland American Real Estate Trust, Inc. filed a registration statement on Form S-11 to register 500,000,000 shares of common stock and up to 40,000,000 shares of their common stock for participants in their distribution reinvestment program. The registration statement has not been declared effective by the Securities and Exchange Commission, and there is no assurance when and if it will be declared effective.

THE FOLLOWING NEW SUBSECTION IS INSERTED AT THE END OF THIS SECTION ON PAGE 360 OUR PROSPECTUS.

UPDATE

The following table updates shares sold in our offering as of March 8, 2005:

	Shares	Gross proceeds ($)	Commissi and fee ($) (1)
From our advisor	20,000	200,000	
Our offering dated September 15, 2003:	249,973,479	2,499,654,805	262,046,
Our second offering dated December 21, 2004	9,349,213	93,492,135	12,109,
Shares sold pursuant to our distribution reinvestment program	5,090,125	48,356,188	
Shares repurchased pursuant to our share repurchase program	(152,203)	(1,407,877)	
	264,280,614	2,640,295,251	274,156,

(1) Inland Securities Corporation serves as dealer manager of this offering and is entitled to receive selling commissions and certain other fees, as discussed further in our prospectus.

LITIGATION

THE FOLLOWING NEW PARAGRAPH IS INSERTED AT THE END OF THIS SECTION ON PAGE 378 OF OUR PROSPECTUS.

We have received a subpoena from the New York office of the Securities and Exchange Commission regarding an investigation of Carey Financial Corporation. The information and documentation sought involves broker/dealer compensation in the sales of stock. We are cooperating with this request for information and documentation.

RELATIONSHIPS AND RELATED TRANSACTIONS

WE HAVE SUPERCEDED THE FOLLOWING DESCRIPTION LOCATED UNDER THE NONSUBORDINATED PAYMENTS AT THE OPERATIONAL STAGE WITHIN THE TABULAR SUMMARY OF FEES AS DISCUSSED WHICH STARTS ON PAGE 168 OF OUR PROSPECTUS IN THE ENTIRETY, TO READ AS FOLLOWS:

TYPE OF COMPENSATION AND RECIPIENT	METHOD OF COMPENSATION	
Property management fee paid to our property managers, Inland US Management LLC, Inland Southwest Management LLC and Inland Pacific Property Services LLC. We will pay the fee for services in connection with the rental, leasing, operation and management of the properties	We will pay a monthly fee of 4.5% of the gross income from the properties. We will also pay a monthly fee for any extra services equal to no more than 90% of that which would be payable to an unrelated party providing the services. The property managers may subcontract their duties for a fee that may be less than the fee provided for in the management	Fo 20 20 20 pr $5 $5 by So Pa ac

	services agreements.	the bus manager manager will ce incur i results cannot time.

EXPERTS

The following financial statements have been incorporated by reference herein in reliance upon the reports of KPMG LLP, independent registered public accounting firm, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing:

- the historical summary of gross income and direct operating expenses of Shops at Park Place for the year ended December 31, 2002,
- the combined historical summary of gross income and direct operating expenses of Properties Acquired from Thomas Enterprises for the year ended December 31, 2003,
- the historical summary of gross income and direct operating expenses of CorWest Plaza for the
- the historical summary of gross income and direct operating expenses of Darien Towne Center for the year ended December 31, 2002,
- the historical summary of gross income and direct operating expenses of Hickory Ridge for the year ended December 31, 2003,
- the historical summary of gross income and direct operating expenses of Metro Square Center (SuperValue)

period from May 29, 2003 through December 31, 2003,

- the historical summary of gross income and direct operating expenses of Larkspur Landing for the year ended December 31, 2003,
- the historical summary of gross income and direct operating expenses of La Plaza Del Norte for the year ended December 31, 2003,
- the historical summary of gross income and direct operating expenses of Promenade at Red Cliff for the year ended December 31, 2003,
- the historical summary of gross income and direct operating expenses of Dorman Centre for the year ended December 31, 2003,
- the historical summary of gross income and direct operating expenses of Paradise Valley Marketplace for the year ended December 31, 2003,
- the historical summary of gross income and direct operating expenses of Bluebonnet Parc for the year ended December 31, 2003,
- the historical summary of gross income and direct operating expenses of Arvada Marketplace and Connection for the year ended December 31, 2003,
- the historical summary of gross income and direct operating expenses of Watauga Pavilion for the period of August 15, 2003

for the year ended December 31, 2003,

- the historical summary of gross income and direct operating expenses of North Ranch Pavilion for the year ended December 31, 2003,
- the historical summary of gross income and direct operating expenses of MacArthur Crossing for the year ended December 31, 2003,
- the historical summary of gross income and direct operating expenses of Peoria Crossing for the year ended December 31, 2003,
- the historical summary of gross income and direct operating expenses of Heritage Towne Crossing for the year ended December 31, 2003,
- the historical summary of gross income and direct operating expenses of Best on the Boulevard for the year ended December 31, 2003,
- the historical summary of gross income and direct operating expenses of North Rivers Town Center for the period of October 1, 2003 (commencement of operations) to December 31, 2003,
- the historical summary of gross income and direct operating expenses of Eastwood Town Center for the year ended December 31, 2003,
- the historical summary of gross income and direct operating expenses of Northpointe Plaza for the year ended December 31,

(commencement of operations) to December 31, 2003,

- the historical summary of gross income and direct operating expenses of Plaza Santa Fe II for the year ended December 31, 2003,
- the historical summary of gross income and direct operating expenses of Huebner Oaks Center for the year ended December 31, 2003,
- the historical summary of gross income and direct operating expenses of Lakewood Town Center for the year ended December 31, 2003,
- the historical summary of gross income and direct operating

2003,

- the historical summary of gross income and direct operating expenses of Pine Ridge Plaza for the year ended December 31, 2003,
- the historical summary of gross income and direct operating expenses of John's Creek Village for the period from September 21, 2003 (commencement of operations) to December 31, 2003,
- the historical summary of gross income and direct operating expenses of Fullerton Metrocenter for the year ended December 31, 2003,
- the historical summary of gross income and direct operating expenses

expenses of Davis Towne Crossing for the period from July 18, 2003 (commencement of operations) to December 31, 2003,

- the historical summary of gross income and direct operating expenses of Cranberry Square for the year ended December 31, 2003,
- the historical summary of gross income and direct operating expenses of Safeway Plaza at Marysville for the year ended December 31, 2003,
- the combined historical summary of gross income and direct operating expenses of the Properties owned by Capital Centre, LLC, Gateway Village Limited Partnership, Bel Air Square Joint Venture, Towson Circle Joint Venture LLP, and Reisterstown Plaza Holdings, LLC for the year ended December 31, 2003,
- the historical summary of gross income and direct operating expenses of Manchester Meadows for the year ended December 31, 2003,
- the historical summary of gross income and direct operating expenses of Mitchell Ranch Plaza for the period from June 30, 2003 (commencement of operations) to December 31, 2003,
- the historical summary of gross income and direct operating expenses of Saucon Valley Square for the year ended December 31, 2003,
- the historical summary of gross income and direct operating expenses of Azalea Square

of Northgate North for the year ended December 31, 2003,

- the historical summary of gross income and direct operating expenses of Gateway Plaza Shopping Center for the year ended December 31, 2003,
- the historical summary of gross income and direct operating expenses of Forks Town Center for the year ended December 31, 2003,
- the historical summary of gross income and direct operating expenses of The Shops at Boardwalk for the period from May 30, 2003 (commencement of operations) to December 31, 2003,
- the historical summary of gross income and direct operating expenses of Governor's Marketplace for the year ended December 31, 2003,
- the historical summary of gross income and direct operating expenses of The Columns for the period from October 8, 2003 (commencement of operations) to December 31, 2003,
- the historical summary of gross income and direct operating expenses of Lincoln Park for the year ended December 31, 2003,
- the combined historical summary of gross income and direct operating expenses of

for the period from July 4, 2003 (commencement of operations) to December 31, 2003,

- the historical summary of gross income and direct operating expenses of Denton Crossing for the period from August 11, 2003 (commencement of operations) to December 31, 2003,
- the historical summary of gross income and direct operating expenses of Gurnee Town Center for the year ended December 31, 2003,
- the historical summary of gross income and direct operating

The Properties Acquired from Bayer Properties, Inc. for the year ended December 31, 2003,

- the combined historical summary of gross income and direct operating expenses of The Properties Acquired from Donahue Schriber for the year ended December 31, 2003,
- the historical summary of gross income and direct operating expenses of Winchester Commons for the year ended December 31, 2003,
- the historical summary of gross income and direct operating expenses

expenses of Mansfield Town Center for the period from July 23, 2003 (commencement of operations) to December 31, 2003,

- the historical summary of gross income and direct operating expenses of Gateway Pavilions for the period from February 15, 2003 (commencement of operations) to December 31, 2003,
- he consolidated balance sheet of Inland Western Retail Real Estate Trust, Inc. as of December 31, 2003 and the related consolidated statements of operations, stockholders' equity and cash flows for the period from March 5, 2003 (inception) through December 31, 2003 and related financial statement schedule,

of Fox Creek Village for the period from November 12, 2003 (commencement of operations) to December 31, 2003,

- the historical summary of gross income and direct operating expenses of Northwoods Center for the year ended December 31, 2003,
- the combined historical summary of gross income and direct operating expenses of The Properties Acquired from Eastern Retail Holdings, LP for the year ended December 31, 2003,
- the historical summary of gross income and direct operating expenses of Southlake Town Square for the year ended December 31, 2003,
- and the historical summary of gross income and direct operating expenses of Oswego Commons for the year ended December 31, 2003.

The following financial statements have been included herein in reliance upon the reports of KPMG LLP, independent registered public accounting firm, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing:

- the historical summary of gross income and direct operating expenses of Henry Town Center for the year ended December 31, 2003,
- the combined historical summary of gross income and direct operating expenses of the Properties Acquired from FFI American Market Fund, L.P. for the year ended December 31, 2004,
- the historical summary of gross income and direct operating expenses of Mesa Fiesta for the year ended December 31, 2004,
- the historical summary of gross income and direct operating expenses of Trenton Crossing for the year ended December 31, 2004,
- the combined historical summary of gross income and direct operating expenses of the Properties Acquired from Ceruzzi Holdings the year ended December 31, 2004,
- the historical summary of gross income and direct operating expenses of Shoppes at Lake Andrew for the year ended December 31, 2004,
- the historical summary of gross income and direct operating expenses of Midtown Center for the year ended December 31, 2004,
- the combined historical summary of gross income and direct operating expenses of the Properties Acquired from Weber & Company for the year ended December 31, 2004,
- the consolidated balance sheets of Inland Western Retail Real Estate Trust, Inc. as of December 31, 2004 and 2003 and the related consolidated statements of operations, stockholders' equity and cash flows for the year ended December 31, 2004 and the period from March 5, 2003 (inception) through December 31, 2003 and related financial statement schedule, management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2004 and the effectiveness of internal control

over financial reporting as of December 31, 2004, which reports appear in the December 31, 2004,

- and the historical summary of gross income and direct operating expenses of the Stateline Station for the year ended December 31, 2004.

APPENDIX A
PRIOR PERFORMANCE TABLES

The following prior performance tables contain information concerning real estate programs sponsored by affiliates of our advisor which have investment objectives similar to ours. This information has been summarized in narrative form under "Prior Performance of Our Affiliates" in the prospectus. The tables provide information on the performance of a number of programs. You can use the information to evaluate the experience of our advisor's affiliates as sponsors of the programs. The inclusion of these tables does not imply that we will make investments comparable to those reflected in the tables or that investors in our shares will experience returns comparable to those experienced in the programs referred to in these tables. If you purchase our shares, you will not acquire any ownership in any of the programs to which these tables relate. The tables consist of:

Table I	Experience in Raising and Investing Funds
Table II	Compensation to IREIC and Affiliates
Table III	Operating Results of Prior Programs
Table IV	Results of Completed Programs
Table V	Sales or Disposals of Properties
Table VI	Acquisition of Properties by Programs*

* Our prospective investors may obtain copies of Table VI by contacting Inland Western Retail Real Estate Advisory Services, Inc., our advisor.

Table VI is included in Part II of the Post Effective Amendment No. 1 to Form S-11 Registration Statement filed with the Securities and Exchange Commission on March 16, 2005. Upon written request to us or our advisor, any prospective investor may obtain, without charge, a copy of Table VI. See also "Where You Can Find More Information" for information on examining at, or obtaining copies from, offices of the SEC.

Upon written request, any potential investor may obtain, without charge, the most recent annual report on Form 10-K filed with the SEC by any public program sponsored by any of the Inland's affiliated companies which has reported to the SEC within the last 24 months. For a reasonable fee, the affiliated companies will provide copies of any exhibits to such annual reports upon request.

Our investment objectives are to: (i) provide regular distributions to stockholders in amounts which may exceed our taxable income due to the non-cash nature of depreciation expense and, to such extent, will constitute a tax-deferred return of capital, but in no event less than 90% of our taxable income, pursuant to the REIT requirements; (ii) provide a hedge against inflation by entering into leases which contain clauses for scheduled rent escalations or participation in the growth of tenant sales, permitting us to increase distributions and provide capital appreciation; and (iii) preserve stockholders' capital.

The following programs have investment objectives similar to ours and are included in the tables. Inland Retail Real Estate Trust, Inc. or IRRETI and Inland Real Estate Corporation or IREC are two REITs formed primarily to invest in multi-tenant shopping centers, Inland's Monthly Income Fund, L.P. and Inland Monthly Income Fund II, L.P. are public real estate limited partnerships formed primarily to acquire, operate and sell existing residential and commercial real properties. Inland Mortgage Investors Fund, L.P., Inland Mortgage Investors Fund-II, L.P. and Inland Mortgage Investors Fund III, L.P. were public real estate limited partnerships formed primarily to make or acquire loans secured by mortgages on improved, income producing multifamily residential properties.

TABLE I

EXPERIENCE IN RAISING AND INVESTING FUNDS
(000's omitted)

Table I is intended to present information on a dollar and percentage basis showing the experience of Inland Real Estate Investment Corporation ("IREIC"), of which the Advisor is a wholly owned subsidiary, in raising and investing funds in prior programs where the offering closed in the three years prior to December 31, 2003. The table is intended to focus on the dollar amount available for investment in properties expressed as a percentage of total dollars raised. Inland Retail Real Estate Trust, Inc. is the only program that closed in the three years ended December 31, 2003.

	Inland Re Real Est Trust, I
	1 Progr
Dollar amount offered (A)	$ 2,5
Dollar amount raised (B)	2,2
Less offering expenses:	
Syndication fees (C)	1
Other fees (D)	
Organizational fees	
Reserves (E)	
Available for investment	$ 1,9
Acquisition costs:	
Cash down payments	$ 1,3
Repayment of indebtedness	5
Investment in securities	
Total acquisition costs	$ 1,8
Percent leverage	
Date offerings commenced	

Length of offering
Months to invest 90% of amount available for investment (measured from beginning of offering)

TABLE I-(Continued)

EXPERIENCE IN RAISING AND INVESTING FUNDS (A)

NOTES TO TABLE I

(A) This amount does not reflect shares offered for distribution to stockholders participating in Inland Retail Real Estate Trust Inc.'s distribution reinvestment program.

(B) These figures are cumulative and are as of December 31, 2003. The dollar amount raised represents the cash proceeds collected by the program, including shares sold pursuant to our distribution reinvestment program and net of shares repurchased pursuant to our share repurchase program.

(C) Syndication fees are paid by the program to an affiliate, Inland Securities Corporation, or unaffiliated third parties commissions for the sale of shares. All of these syndication fees were used to pay commissions and expenses of the offerings.

(D) Other fees are paid by the program to unaffiliated parties and consist principally of printing, selling and registration costs related to the offering.

(E) Generally, a working capital reserve is established to fund property upgrades and future cash flow deficits, if any, among other things.

(F) On February 11, 1999, the program commenced an initial public offering, on a best effort basis, of 50,000,000 shares of common stock at $10.00 per share. On February 1, 2001, the program commenced an offering of an additional 50,000,000 shares at $10.00 per share, on a best efforts basis. On June 7, 2002, the program commenced an offering of an additional 150,000,000 shares at $10.00 per share, on a best efforts basis. As of December 31, 2003, substantially all proceeds available for investment from the offerings were invested in real properties.

TABLE II

COMPENSATION TO IREIC AND AFFILIATES (A)
(000'S OMITTED)

Table II summarizes the amount and type of compensation paid to Inland Real Estate Investment Corporation and its affiliates during the three years ended December 31, 2003 in connection with the prior programs.

Some partnerships acquired their properties from affiliates of our advisor which had purchased such properties from unaffiliated third parties.

	Inland Retail Real Estate Trust, Inc.	Inland Real Estate Corporation
Date offering commenced	02/11/99	10/14/94
Dollar amount raised	$ 2,223,010	686,602
Total amounts paid to general partner or affiliates from proceeds of offerings:		
Selling commissions and underwriting fees	194,194(C)	49,869(C)
Other offering expenses (D)	2,762	2,350
Acquisition cost and expense	1,725	925
Dollar amount of cash available from operations before deducting payments to general partner or affiliates (F)	264,442	217,142
Amounts paid to general partner or affiliates related to operations: (J)		
Property management fees (G)	19,526	0
Advisor asset management fee	20,824	0
Accounting services	0	0
Data processing service	0	0
Legal services	0	0
Professional services	162	0
Mortgage servicing fees	495	0
Acquisition costs expensed	309	0
Other administrative services	3,303	0
Dollar amount of property sales and refinancings before payments to general partner and affiliates (H):		
Cash	0	22,978
Notes	0	0
Dollar amounts paid or payable to general partner or affiliates from sales and refinancings (I):		
Sales commissions	0	0
Participation in cash distributions	0	0

TABLE II

COMPENSATION TO IREIC AND AFFILIATES (A)

NOTES TO TABLE II

(A) The figures in this Table II relating to proceeds of the offerings are cumulative and are as of December 31, 2003 and the figures relating to cash available from operations are for the three years ending December 31, 2003. The dollar amount raised represents the cash proceeds collected by the partnerships or program. Amounts paid or payable to IREIC or affiliates from proceeds of the offerings represent payments made or to be made to IREIC and affiliates from investor capital contributions.

(B) The selling commissions paid to an affiliate is net of amounts which were in turn paid to third party soliciting dealers.

(C) The selling commissions paid to an affiliate includes amounts which were in turn paid to third party soliciting dealers.

(D) Consists of legal, accounting, printing and other offering expenses, including amounts to be paid to Inland Securities Corporation to be used as incentive compensation to its regional marketing representatives and amounts for reimbursement of the general partner for marketing, salaries and direct expenses of its employees while directly engaged in registering and marketing the Units and other marketing and organization expenses.

(E) Represents acquisition fees paid to IREIC and its affiliates in connection with the acquisition of properties.

(F) See Note (B) to Table III.

(G) An affiliate provides property management services for all properties acquired by the partnerships or program. Management fees have not exceeded 4.5% of the gross receipts from the properties managed.

(H) See Table V and Notes thereto regarding sales and disposals of properties.

(I) Real estate sales commissions and participations in cash distributions are paid or payable to IREIC and/or its affiliates in connection with the sales of properties in the public partnership programs. Payments of all amounts shown are subordinated to the receipt by the limited partners of their original capital investment. See Table V and Notes thereto.

(J) On July 1, 2000, IREC completed the acquisition of Inland Real Estate Advisory Services, Inc., the former advisor, and Inland Commercial Property Management, Inc., the former property manager (the "Merger"). Each of these entities was merged into subsidiaries that are wholly owned by IREC. As a result of the merger, IREC is now "self-administered." IREC no longer pays advisory or property management fees or other expenses to affiliates but instead has hired an internal staff to perform these tasks.

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TABLE III

OPERATING RESULTS OF PRIOR PROGRAMS

Table III presents operating results for programs, the offerings of which closed during each of the five years ended December 31, 2003. The operating results consist of:

- The components of taxable income (loss);
- Taxable income or loss from operations and property sales;
- Cash available and source, before and after cash distributions to investors; and
- Tax and distribution data per $1,000 invested.

Based on the following termination dates of the offerings, only IRRETI is included in Table III.

- Inland's Monthly Income Fund, L.P. - offering terminated in 1988
- Inland Monthly Income Fund II, L.P. - offering terminated in 1990
- Inland Mortgage Investors Fund, L.P. - offering terminated in 1987
- Inland Mortgage Investors Fund - II, L.P. - offering terminated in 1988

- Inland Mortgage Investors Fund III, L.P. - offering terminated in 1991
- Inland Real Estate Corporation - offering terminated in 1998

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TABLE III

OPERATING RESULTS OF PRIOR PROGRAMS
(000'S OMITTED, EXCEPT FOR AMOUNTS PRESENTED PER $1,000 INVESTED)

INLAND RETAIL REAL ESTATE TRUST INC.

	2003	2002	2001
Gross revenues	$ 317,828	116,011	37,755
Profit on sale of properties	0	0	0
Less:			
Operating expenses	78,568	27,614	10,178
Interest expense	62,349	23,508	9,712
Program expenses	22,069	7,998	1,219
Depreciation & amortization	85,006	29,395	8,653
Net income (loss)-GAAP basis	$ 69,836	27,496	7,993
Taxable income (loss) (A):	0	0	0
Cash available (deficiency) from operations (B)	147,403	55,250	17,170
Cash available from sales (C)	828	0	0
Total cash available before distributions and special items	148,231	55,250	17,170
Less distributions to investors:			
From operations	152,888	52,156	15,963
From sales and refinancings	0	0	0
Cash available after distributions before special items	(4,657)	3,094	1,207
Special items:	0	0	0
Cash available after distributions and special items	$ (4,657)	3,094	1,207
Tax data per $1,000 invested (A):	0	0	0
Distribution data per $1,000 invested:			
Cash distributions to investors:			
Source (on GAAP basis):			
Investment income	.83	.83	.81

Source (on cash basis):			
Sales	0	0	0
Operations (D)	.83	.83	.81
Percent of properties remaining unsold	100%		

TABLE III--(CONTINUED)

OPERATING RESULTS OF PRIOR PROGRAMS

NOTES TO TABLE III

(A) IRRETI qualified as real estate investment trusts ("REITs") under the Internal Revenue Code for federal income tax purposes. Since it qualified for taxation as a REIT, it generally will not be subject to federal income tax to the extent it distributes its REIT taxable income to its stockholders. If IRRETI fails to qualify as a REIT in any taxable year, it will be subject to federal income tax on its taxable income at regular corporate tax rates. However, even if the program qualifies for taxation as a REIT, it may be subject to certain state and local taxes on its income and property and federal income and excise taxes on its undistributed income.

(B) "Cash Available (Deficiency) from Operations," represents all cash revenues and funds received by the programs, including but not limited to operating income less operating expenses, and interest income. These amounts do not include payments made by the programs from offering proceeds nor do they include proceeds from sales or refinancings. These amounts also exclude advances from or repayments to IREIC and affiliates which are disclosed elsewhere in the table and include principal payments on long-term debt. For example:

	Inland Retail Real Estate Trust Inc. (000's omitted)				
	2003	2002	2001	2000	1999
Net cash provided by operating activities per the Form 10-K annual report	$ 149,081	55,594	17,427	5,604	2,648
Principal payments on long-term debt	(1,678)	(344)	(257)	(238)	(110)
	$ 147,403	55,250	17,170	5,366	2,538

(C) See Table V and Notes thereto regarding sales and disposals of properties.

TABLE III--(CONTINUED)

OPERATING RESULTS OF PRIOR PROGRAMS

NOTES TO TABLE III

(D) Distributions by a REIT to the extent of its current and accumulated earnings and profits for federal income tax purposes are taxable to stockholders as ordinary income. Distributions in excess of these earnings and profits generally are treated as a non-taxable reduction of the stockholder's basis in the shares to the extent thereof, and thereafter as taxable gain (a return of capital). These distributions in excess of earnings and profits will have the effect of deferring taxation of the amount of the distribution until the sale of the stockholder's shares.

	Inland Retail Real Estate Trust, Inc.				
	2003	2002	2001	2000	1999
% of Distribution representing:					
Ordinary income	60.85	62.65	60.49	54.55	22.23
Return of Capital	39.15	37.35	39.51	45.45	77.77
	100.00	100.00	100.00	100.00	100.00

TABLE IV

RESULTS OF COMPLETED PROGRAMS

(000'S OMITTED, EXCEPT FOR AMOUNTS PRESENTED PER $1,000 INVESTED)

Table IV is a summary of operating and disposition results of prior programs sponsored by affiliates of our advisor, which during the five years ended prior to December 31, 2003 have sold their properties and either hold notes with respect to such sales or have liquidated. One program with investment objectives similar to ours disposed of all of its properties during the five years ended prior to December 31, 2003.

Program Name	Inland Mortgage Investors Fund, L.P.
Dollar amount raised	10,065
Number of properties/loans purchased	15
Date of closing of offering	02/87
Date of first sale of property	12/88
Date of final sale of property	03/99
Tax and distribution data per $1,000 invested (A):	
Federal income tax results:	
Ordinary income (loss):	
Operations	547
Recapture	0

Capital Gain	30
Deferred Gain:	
Capital	0
Ordinary	0
Cash distributions to investors (cash basis):	
Source (on GAAP basis)	
Investment income	624
Return of capital	745
Source (on cash basis)	
Sales	745
Operations	624

(A) Data per $1,000 invested is presented as of December 31, 2003. See Table V and Notes thereto regarding sales and disposals of properties.

TABLE V

SALES OR DISPOSALS OF PROPERTIES

Table V presents information on the results of the sale or disposals of properties in programs with investment objectives similar to ours during the three years ended December 31, 2003. Since January 1, 2001, programs sponsored by affiliates of our advisor had seven sales transactions. The table provides certain information to evaluate property performance over the holding period such as:

- Sales proceeds received by the partnerships in the form of cash down payments at the time of sale after expenses of sale and secured notes received at sale;

- Cash invested in properties;

- Cash flow (deficiency) generated by the property;

- Taxable gain (ordinary and total); and

- Terms of notes received at sale.

TABLE V (CONTINUED)

SALES OR DISPOSALS OF PROPERTIES (A)
(000'S OMITTED)

	Date Acquired	Date of Sale	Cash Received, net of Closing Costs(B)	Selling Commissions Paid or Payable to Inland	Mortgage at Time of Sale

IREC - Lincoln Park Place	01/24/97	04/17/01	1,314	0	1,050
IREC - Antioch Plaza	12/95	03/28/02	943	0	875
IREC - Shorecrest Plaza	07/97	06/12/02	3,107	0	2,978
IREC - Popeye's	06/97	04/08/03	343	0	0
IREC - Summit of Park Ridge	12/96	12/24/03	3,578	0	1,600
IREC - Eagle Country Market	11/97	12/24/03	5,182	0	1,450
IREC - Eagle Ridge Center	04/99	12/30/03	3,185	0	3,000

	Secured Notes Received at Sale	Adjust. Resulting from Application of GAAP	Net Selling Price	Original Mortgage Financing	Partnership Capital Invested (C)
IREC - Lincoln Park Place	0	0	2,364	0	1,897
IREC - Antioch Plaza	0	0	1,818	875	753
IREC - Shorecrest Plaza	0	0	6,085	2,978	2,947
IREC - Popeye's	0	0	343	0	346
IREC - Summit of Park Ridge	0	0	5,178	0	5,181
IREC - Eagle Country Market	0	0	6,632	0	6,635
IREC - Eagle Ridge Center	0	0	6,185	0	6,187

	Excess (deficiency) of property operating cash receipts over cash expenditures (D)	Amount of subsidies included in operating cash receipts	Total Taxable Gain (loss) from Sale
IREC - Lincoln Park Place	218	0	467
IREC - Antioch Plaza	130	0	0(E)
IREC - Shorecrest Plaza	1,556	0	0(E)
IREC - Popeye's	241	0	3
IREC - Summit of Park Ridge	1,399	0	0(E)
IREC - Eagle Country Market	1,290	0	0(E)
IREC - Eagle Ridge Center	1,441	0	0(E)

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TABLE V - (CONTINUED)

SALES OR DISPOSALS OF PROPERTIES

NOTES TO TABLE V

(A) The table includes all sales of properties by the programs with investment objectives similar to ours during the three years ended December 31, 2003. All sales have been made to parties unaffiliated with the partnerships.

(B) Consists of cash payments received from the buyers and the assumption of certain liabilities by the buyers at the date of sale, less expenses of sale.

(C) Amounts represent the dollar amount raised from the offerings, less sales commissions and other offering expenses plus additional costs incurred on the development of the land parcels.

(D) Represents "Cash Available (Deficiency) from Operations (including subsidies)" as adjusted for applicable "Fixed Asset Additions" through the year of sale.

(E) For tax purposes, this sale qualified as part of a tax-deferred exchange. As a result, no taxable gain will be recognized until the replacement property is disposed of in a subsequent taxable transaction.

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(a) Independent Auditors' Report

(b) Combined Historical Summary of Gross Income and Direct Operating Expenses for the year ended December 31, 2004

(c) Notes to the Combined Historical Summary of Gross Income and Direct Operating Expenses for t year ended December 31, 2004

SHOPPES AT LAKE ANDREW:

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(b) Historical Summary of Gross Income and Direct Operating Expenses for the year ended December 2004

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(b) Historical Summary of Gross Income and Direct Operating Expenses for the year ended December 2004

(c) Notes to the Historical Summary of Gross Income and Direct Operating Expenses for the year e December 31, 2004

TRENTON CROSSING:

(a) Independent Auditors' Report

(b) Historical Summary of Gross Income and Direct Operating Expenses for the year ended December 2004

(c) Notes to the Historical Summary of Gross Income and Direct Operating Expenses for the year e
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(a) Independent Auditors' Report

(b) Combined Historical Summary of Gross Income and Direct Operating Expenses for the year ended
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(a) Historical Summary of Gross Income and Direct Operating Expenses for the year ended
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(b) Notes to the Historical Summary of Gross Income and Direct Operating Expenses for the year
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(b) Notes to the Historical Summary of Gross Income and Direct Operating Expenses for the year e
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(a) Historical Summary of Gross Income and Direct Operating Expenses for the period from July 1,
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(a) Historical Summary of Gross Income and Direct Operating Expenses for the period from Februar
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(b) Notes to the Historical Summary of Gross Income and Direct Operating Expenses
for the period from February 1, 2004 (commencement of operations) through
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COTTAGE PLAZA:

(a) Historical Summary of Gross Income and Direct Operating Expenses for the period from Novembe (commencement of operations) through December 31, 2004 (unaudited)

(b) Notes to the Historical Summary of Gross Income and Direct Operating Expenses for the period from November 1, 2004 (commencement of operations) through December 31, 2004 (unaudited)

VILLAGE AT QUAIL SPRINGS:

(a) Historical Summary of Gross Income and Direct Operating Expenses for the year ended December (unaudited)

(b) Notes to the Historical Summary of Gross Income and Direct Operating Expenses for the year e December 31, 2004 (unaudited)

HOLLIDAY TOWN CENTER:

(a) Historical Summary of Gross Income and Direct Operating Expenses for the year ended December (unaudited)

(b) Notes to the Historical Summary of Gross Income and Direct Operating Expenses for the year e December 31, 2004 (unaudited)

HIGH RIDGE CROSSING:

(a) Historical Summary of Gross Income and Direct Operating Expenses for the period from May 17, (commencement of operations) through December 31, 2004 (unaudited)

(b) Notes to the Historical Summary of Gross Income and Direct Operating Expenses for the period from May 17, 2004 (commencement of operations) through December 31, 2004 (unaudited)

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Inland Western Retail Real Estate Trust, Inc.:

We have audited the accompanying consolidated balance sheets of Inland Western Retail Real Estate Trust, Inc. as of December 31, 2004 and 2003, and the related consolidated statements of operations, stockholders' equity, and cash flows for the year ended December 31, 2004 and the period from March 5, 2003 (inception) to December 31, 2003. In connection with our audit of the consolidated financial statements, we also have audited the financial statement schedule III. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company

Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Inland Western Retail Real Estate Trust, Inc. as of December 31, 2004 and 2003, and the results of their operations and their cash flows for the year ended December 31, 2004 and the period from March 5, 2003 (inception) to December 31, 2003, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Inland Western Retail Real Estate Trust, Inc.'s internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 3, 2005 expressed an unqualified opinion on management's assessment of, and the effective operation of, internal control over financial reporting.

KPMG LLP

Chicago, Illinois
March 3, 2005

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Inland Western Retail Real Estate Trust, Inc.:

We have audited management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that Inland Western Retail Real Estate Trust, Inc. maintained effective internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that Inland Western Retail Real Estate Trust, Inc. maintained effective internal control over financial reporting as of December 31, 2004, is fairly stated, in all material respects, based on criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Also, in our opinion, Inland Western Retail Real Estate Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Inland Western Retail Real Estate Trust, Inc. as of December 31, 2004 and 2003, and the related consolidated statements of operations, stockholders' equity, and cash flows for the year ended December 31, 2004 and the period from March 3, 2003 (inception) to December 31, 2003, and our report dated March 3, 2005 expressed an unqualified opinion on those consolidated financial statements. In connection with our audit of the consolidated financial statements, we also have audited the financial statement schedule III.

KPMG LLP

Chicago, Illinois
March 3, 2005

INLAND WESTERN RETAIL REAL ESTATE TRUST, INC.
(A Maryland Corporation)

CONSOLIDATED BALANCE SHEETS
(Amounts in thousands)

ASSETS

	December 31, 2004	
Investment properties:		
Land	$ 575,032	$
Building and other improvements	2,654,585	
	3,229,617	
Less accumulated depreciation	(36,290)	
Net investment properties	3,193,327	
Cash and cash equivalents (including cash held by management company of $8,574 and $239 as of December 31, 2004 and 2003, respectively)	241,224	
Restricted cash (Note 2)	65,923	
Restricted escrows (Note 2)	17,105	
Investment in marketable securities and treasury contracts	1,287	
Investment in unconsolidated joint ventures (Note 9)	75,261	
Accounts and rents receivable (net of allowance of $346 and $0 as of December 31, 2004 and 2003, respectively)	19,962	
Due from affiliates (Note 3)	654	
Note receivable (Note 6)	31,772	
Acquired in-place lease intangibles and customer relationship value (net of accumulated amortization of $9,976 and $52 as of December 31, 2004 and 2003, respectively)	240,116	
Acquired above market lease intangibles (net of accumulated amortization of $3,124 and $5 as of December 31, 2004 and 2003, respectively)	40,774	
Loan fees, leasing fees and loan fee deposits (net of accumulated amortization of $755 and $25 as of December 31, 2004 and 2003, respectively)	19,472	
Other assets	8,939	
Total assets	$ 3,955,816	$

See accompanying notes to consolidated financial statements

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INLAND WESTERN RETAIL REAL ESTATE TRUST, INC.
(A Maryland Corporation)

CONSOLIDATED BALANCE SHEETS
(continued)
(Amounts in thousands)

LIABILITIES AND STOCKHOLDER'S EQUITY

	December 31, 2004

Liabilities:		
Mortgages and notes payable (Note 7)	$	1,783,114
Accounts payable		1,692
Accrued offering costs due to affiliates		2,880
Accrued interest payable		4,306
Tenants improvements payable		5,096
Accrued real estate taxes		4,254
Distributions payable		11,378
Security deposits		3,679
Line of credit (Note 8)		-
Prepaid rental income and other liabilities		7,765
Advances from sponsor (Note 3)		3,523
Acquired below market lease intangibles (net of accumulated amortization of $4,718 and $15 as of December 31, 2004 and 2003, respectively)		85,986
Restricted cash liability (Note 2)		65,923
Due to affiliates		957
Total liabilities		1,980,553
Minority interests		89,537
Stockholders' equity:		
Preferred stock, $.001 par value, 10,000 shares authorized, none outstanding		-
Common stock, $.001 par value, 250,000 shares authorized, 217,458 and 18,737 shares issued and outstanding as of December 31, 2004 and 2003, respectively		217
Additional paid in capital (net of offering costs of $234,014 and $22,145 as of December 31, 2004 and 2003, respectively, of which $175,509 and $16,860 was paid or accrued to affiliates as of December 31, 2004 and 2003, respectively)		1,940,018
Accumulated distributions in excess of net income (loss)		(54,750)
Accumulated other comprehensive income		241
Total stockholders' equity		1,885,726
Commitments and contingencies (Note 12)		
Total liabilities and stockholders' equity	$	3,955,816

See accompanying notes to consolidated financial statements

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INLAND WESTERN RETAIL REAL ESTATE TRUST, INC.
(A Maryland Corporation)

CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in thousands, except per share amounts)

Year Ended

		December 31, 2004
Income:		
Rental income	$	106,4
Tenant recovery income		23,1
Other property income		8
Total income		130,4
Expenses:		
General and administrative expenses to affiliates		1,8
General and administrative expenses to non-affiliates		3,0
Property operating expenses to affiliates		5,3
Property operating expenses to non-affiliates		14,0
Real estate taxes		13,0
Depreciation and amortization		47,9
Total expenses		85,3
Operating income (loss)	$	45,0
Other income		3,6
Interest expense		(33,1
Realized loss on sale of treasury contracts		(3,6
Minority interests		3
Equity in earnings (losses) of unconsolidated entities		(5
Net income (loss)	$	11,7
Other comprehensive income:		
Unrealized gain on investment securities		2
Comprehensive income (loss)	$	11,9
Net income(loss) per common share, basic and diluted	$	.
Weighted average number of common shares outstanding, basic and diluted		98,5

See accompanying notes to consolidated financial statements

INLAND WESTERN RETAIL REAL ESTATE TRUST, INC.
(A Maryland Corporation)

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

For the year ended December 31, 2004 and for the period from March 5, 2003

(inception) to December 31, 2003
(Amounts in thousands)

	NUMBER OF SHARES	COMMON STOCK	ADD P C
Balance at March 5, 2003 (inception)	-	$ -	$
Net loss	-	-	
Distributions declared (.15 per weighted average number of common shares outstanding)	-	-	
Proceeds from offering	18,718	19	
Offering costs	-	-	
Proceeds from dividend reinvestment program	19	-	
Issuance of stock options and discounts on shares issued to affiliates	-	-	
Balance at December 31, 2003	18,737	$ 19	$
Net income	-	-	
Unrealized gain on investment securities	-	-	
Distributions declared (.66 per weighted number of common shares outstanding)	-	-	
Proceeds from offering	195,671	195	
Offering costs	-	-	
Proceeds from dividend reinvestment program	3,060	3	
Shares repurchased	(10)	-	
Shares obligated to be repurchased as of December 31, 2004	-	-	
Contribution from sponsor advances	-	-	
Issuance of stock options and discounts on shares issued to affiliates	-	-	
Balance at December 31, 2004	217,458	$ 217	$

	ACCUMULATED DISTRIBUTIONS IN EXCESS OF NET INCOME (LOSS)	ACCUMULATED OTHER COMPREHENSIVE INCOME	
Balance at March 5, 2003 (inception)	$ -	$ -	$
Net loss	(173)	-	
Distributions declared (.15 per weighted average number of common shares outstanding)	(1,286)	-	
Proceeds from offering	-	-	
Offering costs	-	-	
Proceeds from dividend reinvestment			

program	-	-	
Issuance of stock options and discounts on shares issued to affiliates	-	-	
Balance at December 31, 2003	$ (1,459)	$ -	$
Net income	11,701	-	
Unrealized gain on investment securities	-	241	
Distributions declared (.66 per weighted number of common shares outstanding)	(64,992)	-	
Proceeds from offering	-	-	
Offering costs	-	-	
Proceeds from dividend reinvestment program	-	-	
Shares repurchased	-	-	
Shares obligated to be repurchased as of December 31, 2004	-	-	
Contribution from sponsor advances	-	-	
Issuance of stock options and discounts on shares issued to affiliates	-	-	
Balance at December 31, 2004	(54,750)	$ 241	$

See accompanying notes to consolidated financial statements

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INLAND WESTERN RETAIL REAL ESTATE TRUST, INC.
(A Maryland Corporation)

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands)

	Year Ended December 31, 2004	Perio (in De
Cash flows from operations:		
Net income (loss)	$ 11,701	$
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	36,149	
Amortization	11,824	
Amortization of acquired above market leases	3,119	
Amortization of acquired below market leases	(4,703)	
Rental income under master leases	3,025	
Straight line rental income	(3,886)	
Straight line lease expense	919	
Minority interests	(398)	
Loss from investments in unconsolidated entities	589	
Issuance of stock options and discount on shares issued to affiliates	430	
Realized loss on sale of treasury contracts	3,667	
Changes in assets and liabilities:		

Accounts and rents receivable net of change in allowance of $346 and $0 for December 31, 2004 and 2003, respectively.	(14,928)
Other assets	(3,276)
Accounts payable	1,542
Accrued interest payable	4,306
Accrued real estate taxes	3,674
Security deposits	3,571
Prepaid rental income and other liabilities	6,195
Net cash flows provided by operating activities	63,520
Cash flows from investing activities:	
Purchase of investment securities and treasury contracts	(4,713)
Restricted escrows	(17,105)
Purchase of investment properties	(3,002,437)
Acquired in-place lease intangibles and customer relationship value	(241,286)
Acquired above market leases	(42,303)
Acquired below market leases	84,779
Contributions from minority interests - joint ventures	95,568
Distributions to minority interests - joint ventures	(5,251)
Purchase of unconsolidated joint ventures	(76,232)
Interest capitalized for real estate under development	(85)
Payment of leasing fees	(761)
Tenant improvements payable	4,570
Other assets	(4,482)
Funding of notes receivable	(31,772)
Due to affiliates	(1,545)
Net cash flows used in investing activities	(3,243,055)

See accompanying notes to consolidated financial statements

INLAND WESTERN RETAIL REAL ESTATE TRUST, INC.
(A Maryland Corporation)

CONSOLIDATED STATEMENTS OF CASH FLOWS
(continued)
(Amounts in thousands)

	Year Ended December 31, 2004	Peri (
Cash flows from financing activities:		
Proceeds from offering	1,955,712	
Proceeds from the dividend reinvestment program	29,070	
Shares repurchased	(193)	
Payment of offering costs	(210,358)	
Proceeds from mortgage debt and notes payable	1,653,523	
Principal payments on mortgage debt	(175)	
Proceeds from unsecured line of credit	165,000	
Payoff of unsecured line of credit	(170,000)	
Payment of loan fees and deposits	(16,613)	

Distributions paid	(54,542)
Due from affiliates	2,585
Advances from advisor	-
Contribution from sponsor advances	2,369
Net cash flows provided by financing activities	3,356,378
Net increase in cash and cash equivalents	176,843
Cash and cash equivalents, at beginning of period	64,381
Cash and cash equivalents, at end of period	$ 241,224
Cash paid for interest, net of interest capitalized of $85	$ 28,869
Restricted cash	$ (65,923)
Restricted cash liability	65,923
Due from sponsor	$ (654)
Due to sponsor	654
Share repurchase program	$ (472)
Share repurchase program liability	472
Supplement schedule of non-cash investing and financing activities:	
Purchase of investment properties	$ (3,113,038)
Assumption of mortgage debt	100,139
Write-off of acquisition reserve	521
Purchase price adjustments	2,389
Conversion of mortgage receivable to investment property	7,552
	$ (3,002,437)
Distributions payable	$ 11,378
Accrued offering costs payable	$ 2,880
Write-off of fully amortized loan fees	$ 1,170

See accompanying notes to financial statements

INLAND WESTERN RETAIL REAL ESTATE TRUST, INC.
(A Maryland Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2004 and 2003

(1) Organization and Basis of Accounting

Inland Western Retail Real Estate Trust, Inc. (the "Company") was formed on March 5, 2003 to acquire and manage a diversified portfolio of real estate, primarily multi-tenant shopping centers. The Advisory Agreement provides for Inland Western Retail Real Estate Advisory Services, Inc. (the "Business Manager" or "Advisor"), an Affiliate of the Company, to be the Business Manager or Advisor to the Company. On September 15, 2003, the Company commenced an initial public offering (the initial public offering) of up to 250,000,000 shares of common stock at $10 each and the issuance of 20,000,000 shares at $9.50 each which may be distributed pursuant to the Company's distribution reinvestment program. The Company registered a second offering (the second offering) that became effective on December 28, 2004 with the Securities and Exchange Commission for up to 250,000,000 shares of common stock at $10 each and up to 20,000,000 shares at $9.50 each pursuant to the distribution reinvestment program. Sales of shares in the second offering began in early January 2005.

The Company is qualified and has elected to be taxed as a real estate investment trust ("REIT") under the Internal Revenue Code of 1986, as amended, for federal income tax purposes commencing with the tax year ending December 31, 2003. Since the Company qualifies for taxation as a REIT, the Company generally will not be subject to federal income tax to the extent it distributes at least 90% of its REIT taxable income to its stockholders. If the Company fails to qualify as a REIT in any taxable year, the Company will be subject to federal income tax on its taxable income at regular corporate tax rates. Even if the Company qualifies for taxation as a REIT, the Company may be subject to certain state and local taxes on its income and property and federal income and excise taxes on its undistributed income.

The Company provides the following programs to facilitate investment in the Company's shares and to provide limited liquidity for stockholders.

The Company allows stockholders who purchase shares in the initial public offering and second offering to purchase additional shares from the Company by automatically reinvesting distributions through the distribution reinvestment program ("DRP"), subject to certain share ownership restrictions. Such purchases under the DRP are not subject to selling commissions or the marketing contribution and due diligence expense allowance, and are made at a price of $9.50 per share.

The Company will repurchase shares under the share repurchase program ("SRP"), if requested, at least once quarterly on a first-come, first-served basis, subject to certain restrictions. Subject to funds being available, the Company will limit the number of shares repurchased during any calendar year to 5% of the weighted average number of shares outstanding during the prior calendar year. Funding for the SRP will come exclusively from proceeds that the Company receives from the sale of shares under the DRP and such other operating funds, if any, as the Company's board of directors, at its sole discretion, may reserve for this purpose. The board, at its sole discretion, may choose to terminate the share repurchase program after the end of the offering period, or reduce the number of shares purchased under the program, if it determines that the funds allocated to the SRP are needed for other purposes, such as the acquisition, maintenance or repair of properties, or for use in making a declared distribution. A determination by the board to eliminate or reduce the share repurchase program will require the unanimous affirmative vote of the independent directors. As of December 31, 2004, the Company had repurchased 10,350 shares for $192,667.

The accompanying Consolidated Financial Statements include the accounts of the Company, as well as all wholly owned subsidiaries and consolidated joint venture investments. Wholly owned subsidiaries generally consist of limited liability companies (LLC's) and limited partnerships (LP's). The effects of all significant intercompany transactions have been eliminated.

The Company would consolidate certain property holding entities and other subsidiaries that it owns less than a 100% equity interest if the entity is a variable interest entity ("VIE") and it is the primary beneficiary (as defined in FASB Interpretation 46(R) CONSOLIDATION OF VARIABLE INTEREST ENTITIES, an Interpretation of ARB No. 51, as revised ("FIN 46(R)")). For joint ventures that are not VIE's of which the Company owns less than 100% of the equity interest, the Company consolidates the property if it receives substantially all of the economics or has the direct or indirect ability to make major decisions. Major decisions are defined in the respective joint venture agreements and generally include participating and protective rights such as decisions regarding major leases, encumbering the entities with debt and whether to dispose of the entities.

The Company has a 95% ownership interest in the LLC's which own Gateway Village, Boulevard at the Capital Centre, Towson Circle, Reisterstown Road Plaza and Tollgate Marketplace, however, the Company shares equally in major decisions. These entities are considered VIE's as defined in FIN 46(R) and the Company is considered the primary beneficiary. Therefore these entities are consolidated by the Company and the 5% outside ownership interest is reflected as minority interest in the accompanying Consolidated Financial Statements.

The Company has a 60.9% ownership interest in, and is the controlling member of the LLC which owns Cardiff Hall East Apartments. The other members' interests in the property are reflected as minority interest in the accompanying Consolidated Financial Statements.

(2) Summary of Significant Accounting Policies

The accompanying Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Certain reclassifications have been made to the 2003 financial statements to conform to the 2004 presentations.

Rental income is recognized on a straight-line basis over the term of each lease. The difference between rental income earned on a straight-line basis and the cash rent due under the provisions of the lease agreements is recorded as deferred rent receivable and is included as a component of accounts and rents receivable in the accompanying consolidated balance sheets.

The Company records lease termination income if there is a signed termination agreement, all of the conditions of the agreement have been met, and the tenant is no longer occupying the property.

Staff Accounting Bulletin ("SAB") 101, REVENUE RECOGNITION IN FINANCIAL

STATEMENTS, determined that a lessor should defer recognition of contingent rental income (i.e. percentage/excess rent) until the specified target (i.e. breakpoint) that triggers the contingent rental income is achieved. The Company records percentage rental revenue in accordance with the SAB 101.

The Company considers all demand deposits, money market accounts and investments in certificates of deposit and repurchase agreements purchased with a maturity of three months or less, at the date of purchase, to be cash equivalents. The Company maintains its cash and cash equivalents at financial institutions. The combined account balances at one or more institutions periodically exceed the Federal Depository Insurance Corporation ("FDIC") insurance coverage and, as a result, there is a concentration of credit risk related to amounts on deposit in excess of FDIC insurance coverage. The Company believes that the risk is not significant, as the Company does not anticipate the financial institutions' non-performance.

The Company classifies its investment in securities in one of three categories: trading, available-for-sale, or held-to-maturity. Trading securities are bought and held principally for the purpose of selling them in the near term. Held-to-maturity securities are those securities in which the Company has the ability and intent to hold the security until maturity. All securities not included in trading or held-to-maturity are classified as available-for-sale. Investment in securities at December 31, 2004 consists of common stock investments and is classified as available-for-sale securities and is recorded at fair value. Unrealized holding gains and losses on available-for-sale securities are excluded from earnings and reported as a separate component of other comprehensive income until realized. Realized gains and losses from the sale of available-for-sale securities are determined on a specific identification basis. A decline in the market value of any available-for-sale security below cost that is deemed to be other than temporary, results in a reduction in the carrying amount to fair value. The impairment is charged to earnings and a new costs basis for the security is established. To determine whether an impairment is other than temporary, the Company considers whether it has the ability and intent to hold the investment until a market price recovery and considers whether evidence indicating the cost of the investment is recoverable outweighs evidence to the contrary. Evidence considered in this assessment includes the reasons for the impairment, the severity and duration of the impairment, changes in value subsequent to year end and forecasted performance of the investee. Of the investment securities held on December 31, 2004, the Company has accumulated other comprehensive income of $241,015.

Costs associated with the offerings are deferred and charged against the gross proceeds of the offerings upon closing. Formation and organizational costs are expensed as incurred. For the period from March 5, 2003 (inception) through December 31, 2003, $7,500 of organizational costs was expensed. No organizational costs were expensed in the year ended December 31, 2004.

The Company applies the fair value method of accounting as prescribed by Statement of Financial Accounting Standards ("SFAS") No. 123, ACCOUNTING FOR STOCK-BASED COMPENSATION for its stock options granted. Under this method, the Company will report the value of granted options as a charge against earnings ratably over the vesting period.

The Company enters into interest rate futures contracts or treasury contracts as a means of reducing exposure to rising interest rates. At inception, contracts are evaluated in order to determine if they will qualify for hedge accounting treatment and will be accounted for either on a deferral, accrual or market value basis depending on the nature of the hedge strategy and the method used to account for the hedged item. Hedge criteria include demonstrating the manner in which the hedge will reduce risk, identifying the specific asset, liability or firm commitment being hedged, and citing the time horizon being hedged.

For the year ended December 31, 2004, the Company entered into treasury contracts with a futures commission merchant with yields ranging from 3.27% to 3.85% for 5 year treasury contracts and 4.00% to 4.63% for 10 year treasury contracts. On December 31, 2004, the treasury contracts had a liquidation value of $46,005 resulting in a loss of $3,666,894 for the year ended December 31, 2004. As these treasury contracts are not offsetting future commitments and therefore do not qualify as hedges, the net loss is recognized currently in earnings.

Differences between the carrying amount of the investment in unconsolidated joint ventures and the Company's equity in the underlying assets are depreciated over 30 years.

Real estate acquisitions are recorded at costs less accumulated depreciation. Ordinary repairs and maintenance are expensed as incurred.

Depreciation expense is computed using the straight line method. Building and improvements are depreciated based upon estimated useful lives of 30 years for building and improvements and 15 years for site improvements.

In accordance with SFAS No. 144, the Company performs an analysis to identify impairment indicators to ensure that the investment property's carrying value does not exceed its fair value. The valuation analysis performed by the Company is based upon many factors which require difficult, complex or subjective judgments to be made. Such assumptions include projecting vacancy rates, rental rates, operating expenses, lease terms, tenant financial strength, economy, demographics, property location, capital expenditures and sales value among other assumptions to be made upon valuing each property. This valuation is sensitive to the actual results of any of these uncertain factors, either individually or taken as a whole. Based upon the Company's judgment, no impairment was warranted as of December 31, 2004 or December 31, 2003.

Tenant improvements are amortized on a straight line basis over the life of the related lease as a component of amortization expense.

Leasing fees are amortized on a straight-line basis over the life of the related lease.

Loan fees are amortized on a straight-line basis over the life of the related loans.

The Company allocates the purchase price of each acquired investment property between land, building and improvements, acquired above market and below market leases, in-place lease value, and any assumed financing that is determined to be above or below market terms. In addition, we allocate a portion of the purchase price to the value of the customer relationships. The allocation of the purchase price is an area that requires judgment and significant estimates. The Company uses the information contained in the independent appraisal obtained at acquisition as the primary basis for the allocation to land and building and improvements. The Company determines whether any financing assumed is above or below market based upon comparison to similar financing terms for similar investment properties. The Company also allocates a portion of the purchase price to the estimated acquired in-place lease costs based on estimated lease execution costs for similar leases as well as lost rent payments during assumed lease-up period when calculating as if vacant fair values. The Company considers various factors including geographic location and size of leased space. The Company also evaluates each acquired lease based upon current market rates at the acquisition date and considers various factors including geographical location, size and location of leased space within the investment property, tenant profile, and the credit risk of the tenant in determining whether the acquired lease is above or below market lease costs. After an acquired lease is determined to be above or below market lease costs, the Company allocates a portion of the purchase price to such above or below acquired lease costs based upon the present value of the difference between the contractual lease rate and the estimated market rate. However, for below market leases with fixed rate renewals, renewal periods are included in the calculation of below market in-place lease values. The determination of the discount rate used in the present value calculation is based upon the "risk free rate." This discount rate is a significant factor in determining the market valuation which requires the Company's judgment of subjective factors such as market knowledge, economics, demographics, location, visibility, age and physical condition of the property.

The application of the SFAS Nos. 141 and 142 resulted in the recognition upon acquisition of additional intangible assets and liabilities relating to real estate acquisitions during the years ended December 31, 2004 and December 31, 2003. The portion of the purchase price allocated to acquired above market lease costs and acquired below market lease costs are amortized on a straight line basis over the life of the related lease as an adjustment to rental income and over the respective renewal period for below market lease costs with fixed rate renewals. Amortization pertaining to the above market lease costs of $3,118,699 was applied as a reduction to rental income for the year ended December 31, 2004 and $5,227 for the period from March 5, 2003 (inception) through December 31, 2003. Amortization pertaining to the below market lease costs of $4,703,357 was applied as an increase to rental income for the year ended December 31, 2004 and $15,386 for the period from March 5, 2003 (inception) through December 31, 2003.

The portion of the purchase price allocated to acquired in-place lease intangibles is amortized on a straight line basis over the life of the related lease. The Company incurred amortization expense pertaining to acquired in-place lease intangibles of $9,923,630 for the year ended December 31, 2004 and $51,773 for the period from March 5, 2003 (inception) through December 31, 2003.

The portion of the purchase price allocated to customer relationship value is amortized on a straight line basis over the life of the related lease.

The following table presents the amortization during the next five years related to the acquired in-place lease intangibles, customer relationship value, acquired above market lease costs and the below market lease costs for properties owned at December 31, 2004.

Amortization of:	2005	2006	2007	2008
Acquired above market lease costs	$ (5,576,668)	(5,391,370)	(4,558,366)	(4,275,216)
Acquired below market lease costs	9,930,801	9,166,611	8,238,008	7,337,557
Net rental income increase	$ 4,354,133	3,775,241	3,679,642	3,062,341
Acquired in-place lease intangibles	$ (25,857,397)	(25,857,397)	(25,857,397)	(25,803,230)
Customer relationship value	$ (200,000)	(200,000)	(200,000)	(200,000)

In conjunction with certain acquisitions, the Company receives payments under master lease agreements pertaining to certain, non-revenue producing spaces either at the time of, or subsequent to, the purchase of some of the Company's properties. Upon receipt of the payments, the receipts are recorded as a reduction in the purchase price of the related properties rather than as rental income. These master leases were established at the time of purchase in order to mitigate the potential negative effects of loss of rent and expense reimbursements. Master lease payments are received through a draw of funds escrowed at the time of purchase and may cover a period from three months to three years. These funds may be released to either the Company or the seller when certain leasing conditions are met. Restricted cash includes funds received by third party escrow agents from sellers pertaining to master lease agreements. The Company records the third party escrow funds as both an asset and a corresponding liability, until certain leasing conditions are met.

Restricted escrows primarily consist of lenders' restricted escrows and earnout escrows. Earnout escrows are established upon the acquisition of certain investment properties for which the funds may be released to the seller when certain leasing conditions have been met.

Notes receivable relate to real estate financing arrangements and bear interest at a market rate based on the borrower's credit quality and are recorded at face value. Interest is recognized over the life of the note. The Company requires collateral for the notes.

(continued)

A note is considered impaired pursuant to SFAS No. 114, ACCOUNTING BY CREDITORS FOR IMPAIRMENT OF A LOAN. Pursuant to SFAS No. 114, a note is impaired if it is probable that the Company will not collect all principal and interest contractually due. The impairment is measured based on the present value of expected future cash flows discounted at the note's effective interest rate. The Company does not accrue interest when a note is considered impaired. When ultimate collectibility of the principal balance of the impaired note is in doubt, all cash receipts on impaired notes are applied to reduce the principal amount of such notes until the principal has been recovered and are recognized as interest income, thereafter.

The carrying amount of the Company's debt approximates fair value. The Company estimates the fair value of its mortgages payable by discounting the future cash flows of each instrument at rates currently offered to the Company for similar debt instruments of comparable maturities by the Company's lenders. The carrying amount of the Company's other financial instruments approximate fair value because of the relatively short maturity of these instruments.

New Accounting Pronouncements

In December 2004, the FASB issued SFAS No. 153, EXCHANGE OF NONMONETARY ASSETS, AN AMENDMENT OF APB OPINION NO. 29, ("SFAS 153"). The amendments made by SFAS 153 are based on the principle that exchanges of nonmonetary assets should be measured on the fair value of assets exchanged. It eliminates the exceptions for nonmonetary exchanges of similar productive assets and replaces it with a broader exception for exchanges of nonmonetary assets that do not have commercial substance. The statement is effective for nonmonetary exchanges occurring in fiscal periods beginning after June 15, 2005. The Company does not believe that the adoption of SFAS 153 will have a material impact on its Consolidated Financial Statements.

(3) Transactions with Affiliates

The Business Manager or Advisor contributed $200,000 to the capital of the Company for which it received 20,000 shares of common stock.

Certain compensation and fees payable to the Business Manager or Advisor for services to be provided to the Company are limited to maximum amounts.

Nonsubordinated payments:	
Offering stage:	
Selling commissions	7.5% of the sale price for each share
Marketing contribution and due diligence allowance	3.0% of the gross offering proceeds
Reimbursable expenses and other expenses of issuance	We will reimburse our sponsor for actual costs in behalf, in connection with the offerings
Acquisition stage:	
Acquisition expenses	We will reimburse an affiliate of our business ma advisor for costs incurred, on our behalf, in con the acquisition of properties

Operational stage:	
Property management fee THIS FEE TERMINATES UPON A BUSINESS COMBINATION WITH THE PROPERTY MANAGEMENT COMPANY.	4.5% of the gross income from the properties. (cannot exceed 90% of the fee which would be paya an unrelated third party)
Loan servicing fee	.03% per year on the first billion dollars of mor serviced and .01% thereafter
Other property level services	Compensation for these services will not exceed 9 that which would be paid to any third party for s services
Reimbursable expenses relating to administrative services	The compensation and reimbursements to our busine advisor and its affiliates will be approved by a directors
Liquidation stage:	
Property disposition fee THIS FEE TERMINATES UPON A BUSINESS COMBINATION WITH THE ADVISOR	Lesser of 3% of sales price or 50% of the customa commission which would be paid to a third party
Subordinated payments:	
Operational stage:	
Advisor asset management fee THIS FEE TERMINATES UPON A BUSINESS COMBINATION WITH THE ADVISOR	Not more than 1% per annum of our average assets; Subordinated to a non-cumulative, non-compounded equal to 6% per annum
Liquidation stage:	
Incentive advisory fee THIS FEE TERMINATES UPON A BUSINESS COMBINATION WITH THE ADVISOR	After the stockholders have first received a 10% non-compounded return per year and a return of th investment, an incentive advisory fee equal to 15 proceeds from the sale of a property will be paid business manager or advisor

(continued)

On October 31, 2003, the Company acquired an existing shopping center known as The Shops at Park Place through the purchase of all of the membership interests of the general partner and the membership interests of the limited partner of the limited partnership holding title to this property. The center contains approximately 116,300 gross leasable square feet and is located in Plano, Texas. An affiliate of our Advisor, Inland Park Place Limited Partnership, acquired this property on September 30, 2003 from CDG Park Place LLC, an unaffiliated third party for $23,868,000. Inland Park Place Limited Partnership agreed to sell this property to the Company when sufficient funds from the sale of shares to acquire this property were raised. Inland Park Place Limited Partnership agreed to sell this property to the Company for the price the affiliate paid to the unaffiliated third party, plus any actual costs incurred. The Company's board of directors unanimously approved acquiring this property, including a unanimous vote of the independent directors. The total acquisition cost to the Company was $24,000,000, which included $132,000 of costs incurred by the affiliate.

As of December 31, 2004 and December 31, 2003, the Company had incurred $234,014,231 and $22,144,814 of offering costs, of which $175,508,624 and $16,859,779, respectively, were paid or accrued to affiliates. Pursuant to the terms of the offerings, the Business Manager or Advisor has guaranteed payment of all public offering expenses (excluding sales commissions and the marketing contribution and the due diligence expense allowance) in excess of 5.5% of the gross proceeds of the offerings or all organization and offering expenses (including selling commissions) which together exceed 15% of gross proceeds. As of December 31, 2004 and December 31, 2003, offering costs did not exceed the 5.5% and 15% limitations. The Company anticipates that these costs will not exceed these limitations upon completion of the offerings.

The Business Manager or Advisor and its affiliates are entitled to reimbursement for salaries and expenses of employees of the Business Manager or Advisor and its affiliates relating to the offerings. In addition, an affiliate of the Business Manager or Advisor is entitled to receive selling commissions, and the marketing contribution and due diligence expense allowance from the Company in connection with the offerings. Such costs are offset against the stockholders' equity accounts. Such costs totaled $175,508,624 and $16,859,779, of which $2,879,894 and $1,061,791 were unpaid at December 31, 2004 and December 31, 2003, respectively.

The Business Manager or Advisor and its affiliates are entitled to reimbursement for general and administrative costs relating to the Company's administration. Such costs are included in general and administrative expenses to affiliates, in addition to costs that were capitalized pertaining to property acquisitions. For the year ended December 31, 2004 and the period from March 5, 2003 (inception) through December 31, 2003, the Company incurred $1,542,986 and $194,017 of these costs, respectively, of which $957,471 and $40,703 remained unpaid as of December 31, 2004 and 2003, respectively, and are included in due to affiliates on the Consolidated Balance Sheets.

An affiliate of the Business Manager or Advisor provides loan servicing to the Company for an annual fee. The agreement allows for annual fees totaling .03% of the first $1 billion in mortgage balance outstanding and .01% of the remaining mortgage balances, payable monthly. Such fees totaled $140,859 for the year ended December 31, 2004 and $328 for the period from March 5, 2003 (inception) through December 31, 2003.

The Company used the services of an affiliate of the Business Manager or Advisor to facilitate the mortgage financing that the Company obtained on some of the properties purchased. The Company pays the affiliate .02% of the principal amount of each loan obtained on the Company's behalf. Such costs are capitalized as loan fees and amortized over the respective loan term. For the year ended December 31, 2004 and for the period from March 5, 2003 (inception) through December 31, 2003, the Company paid loan fees totaling $3,475,472 and $59,523 to this affiliate, respectively.

The Company may pay an advisor asset management fee of not more than 1% of the average assets. Average asset value is defined as the average of the total book value, including acquired intangibles, of the Company's real estate assets plus the Company's loans receivable secured by real estate, before reserves for depreciation, reserves for bad debt or other similar non-cash reserves. The Company computes the average assets by taking the average of these values at the end of each month for which the fee is being calculated. The fee would be payable quarterly in an amount equal to 1/4 of 1% of average assets as of the last day of the immediately preceding quarter. For any year in which the Company qualifies as a REIT, the advisor must reimburse the Company for the following amounts if any: (1) the amounts by which total operating expenses, the sum of the advisor asset management fee plus other operating expenses, paid during the previous fiscal year exceed the greater of: (i) 2% of average assets for that fiscal year, or (ii) 25% of net income for that fiscal year; plus (2) an amount, which will not exceed the advisor asset management fee for that year, equal to any difference between the total amount of distributions to stockholders for that year and the 6% minimum annual return on the net investment of stockholders. The Company neither paid nor accrued such fees because the Business Manager or Advisor agreed to forego such fees for the year ended December 31, 2004 and for the period from March 5, 2003 (inception) to December 31, 2003.

The property managers, entities owned principally by individuals who are affiliates of the Business Manager or Advisor, are entitled to receive property management fees totaling 4.5% of gross operating income, for management and leasing services. The Company incurred property management fees of $5,381,721 and $16,627 for the year ended December 31, 2004 and the period from March 5, 2003 (inception) through December 31, 2003, respectively. None remained unpaid as of December 31, 2004 or December 31, 2003.

The Company established a discount stock purchase policy for affiliates of the Company and the Business Manager or Advisor that enables the affiliates to purchase shares of common stock at a discount at either $8.95 or $9.50 per share depending on when the shares are purchased. The Company sold 605,060 and 59,497 shares of common stock to affiliates and recognized an expense related to these discounts of $427,122 and $62,472 for the year ended December 31, 2004 and the period from March 5, 2003 (inception) to December 31, 2003, respectively.

As of December 31, 2004 and 2003, the Company was due funds from affiliates in the amount of $654,004 and $918,750, respectively which is comprised of $654,004 and $845,000, respectively, which is due from the sponsor for reimbursement of a portion of distributions paid. The remaining $73,750 as of December 31, 2003 is due from an affiliate for costs paid on their behalf by the Company. The sponsor has agreed to advance funds to the Company for a portion of distributions paid to the Company's shareholders until funds available for distributions are sufficient to cover the distributions. The sponsor forgave $2,369,139 of these amounts during the second quarter of 2004 and these funds are no longer due and are recorded as a contribution to capital in the accompanying Consolidated Financial Statements. As of December 31, 2004 and December 31, 2003, the Company owed funds to the sponsor in the amount of $3,522,670 and $1,202,519, respectively, for repayment of the funds advanced for payment of distributions.

As of December 31, 2003 the Company owed funds to an affiliate in the amount of $2,154,158 for the reimbursement of costs paid by the affiliate on behalf of the Company. The amount due at December 31, 2003 was repaid during 2004.

(4) Stock Option Plan

The Company has adopted an Independent Director Stock Option Plan which, subject to certain conditions, provides for the grant to each independent director of an option to acquire 3,000 shares following their becoming a director and for the grant of additional options to acquire 500 shares on the date of each annual stockholders' meeting. The options for the initial 3,000 shares are exercisable as follows: 1,000 shares on the date of grant and 1,000 shares on each of the first and second anniversaries of the date of grant. The subsequent options will be exercisable on the second anniversary of the date of grant. The initial options will be exercisable at $8.95 per share. The subsequent options will be exercisable at the fair market value of a share on the last business day preceding the annual meeting of stockholders. As of December 31, 2004 and 2003, we have issued 3,500 and 3,000 options, respectively, to acquire shares to each of our independent directors, for a total of 17,500 and 15,000 options, respectively, of which none have been exercised or expired.

The per share weighted average fair value of options granted was $0.60 on the date of the grant using the Black Scholes option-pricing model with the following assumptions: expected dividend yield of 8%, risk free interest rate of 2.0%, expected life of five years and expected volatility rate of 18.0%. The Company had recorded $3,000 as expense for the 5,000 options (1,000 options per director) vesting upon the date of grant as of December 31, 2003 and is recording the remaining $6,000 in expense related to 2003 grants ratably over the remaining two-year vesting period. During the year ended December 31, 2004, the Company issued an additional 2,500 options with a weighted average fair value at the date of grant of $1,500 and recorded $3,375 of expense related to stock options.

(5) Leases

Master Lease Agreements

In conjunction with certain acquisitions, the Company received payments under master lease agreements pertaining to certain non-revenue producing spaces at the time of purchase, for periods ranging from three months to three years after the date of purchase or until the spaces are leased. As these payments are received, they are recorded as a reduction in the purchase price of the respective property rather than as rental income. The cumulative amount of such payments was $3,024,547 as of December 31, 2004. No such payments were received in 2003.

Operating Leases

Minimum lease payments to be received under operating leases, excluding rental income under master lease agreements and assuming no expiring leases are renewed, are as follows:

	Minimum Lease Payments
2005	$ 227,000,049
2006	221,072,711
2007	212,006,042
2008	201,306,939
2009	184,145,285
Thereafter	1,106,350,470
Total	$ 2,151,881,496

The remaining lease terms range from one year to 55 years. Pursuant to the lease agreements, tenants of the property are required to reimburse the Company for some or their entire pro rata share of the real estate taxes, operating expenses and management fees of the properties. Such amounts are included in tenant recovery income.

Ground Leases

The Company leases land under noncancelable operating leases at certain of the properties expiring in various years from 2028 to 2096. For the year ended December 31, 2004, ground lease rent was $2,187,286. No ground lease payments were made in 2003. Minimum future rental payments to be paid under the ground leases are as follows:

	Minimum Lease Payments
2005	$ 3,186,464
2006	3,187,605
2007	3,238,811
2008	3,240,086
209	3,402,159
Thereafter	342,280,751
Total	$ 358,535,876

(6) Notes Receivable

The notes receivable balance of $31,771,731 as of December 31, 2004 consisted of two installment notes, one from Newman Development Group of Gilroy, LLC (Gilroy) and one from Newman Development Group of Richland, LLC (Richland) that mature on July 15, 2005 and August 15, 2005, respectively. These notes are secured by first mortgages on Pacheco Pass Shopping Center and Quakertown Shopping Center, respectively and are guaranteed personally by the owners of Gilroy and Richland. Interest only is due in advance on the first of each month at a rate of 6.993% per annum for Gilroy and 7.5572% per annum for Richland. Upon closing, an interest reserve escrow totaling three months of interest payments was established for both notes.

The notes receivable balance of $7,552,155 as of December 31 2003 consisted of an installment note from Fourth Quarter Properties XIV, LLC (Fourth) that matured on January 15, 2004. This installment note was secured by a 49% interest in Fourth, which owned the remaining portion of the Newnan Crossing shopping center and was also guaranteed personally by the owner of Fourth. Interest only at a rate of 7.6192% per annum was due on the note. The installment note was advanced to Fourth in contemplation of the Company purchasing the remaining portions of Newnan Crossing. The Company did not call the note on January 15, 2004 and subsequently purchased the property on February 13, 2004 at which time the note was paid in full by Fourth as a credit to the purchase price of the property.

(7) Mortgages and Note Payable

Mortgage loans outstanding as of December 31, 2004 were $1,782,538,627 and had a weighted average interest rate of 4.58%. Of this amount, $1,635,745,627 had fixed rates ranging from 3.96% to 8.02% and a weighted average fixed rate of 4.67% at December 31, 2004. The rate of 8.02% represented the interest rate on the mortgage for Cardiff Hall East (Cardiff), a joint venture entity which the Company consolidates. Excluding the Cardiff mortgage, the highest fixed rate on our mortgage debt was 6.34%. The remaining $146,793,000 represented variable rate loans with a weighted average interest rate of 3.55% at December 31, 2004. Properties with a net carrying value of $2,906,338,366 at December 31, 2004 and related tenant leases are pledged as collateral. As of December 31, 2004, scheduled maturities for the Company's outstanding mortgage indebtedness had various due dates through August 2023.

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INLAND WESTERN RETAIL REAL ESTATE TRUST, INC.
(A Maryland Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2004 and 2003
(continued)

The following table shows the mortgage debt maturing during the next five years:

	2005	2006	2007	2008
Maturing debt				
Fixed rate debt	920,574	981,221	57,906,321	47,322,706
Variable rate debt	15,672,533	637,533	637,533	637,533

The debt is cross-collateralized among the properties in connection with the financing of Heritage Towne Crossing and Eckerd Drug Stores in Norman and Edmond, OK.

As part of the Plaza Santa Fe II loan assumption, a promissory note approximating $414,000 was executed between the Company and the seller for the total amount that the seller had paid into escrows under the loan agreement as of the acquisition date. The note bears interest at the rate of prime less 3.00%, payable to the seller upon maturity of the note in 2006. The seller also agreed to fund the Company's monthly required payments into this escrow for a period of two years. Each monthly payment funded by the seller increases the principal balance of the note payable. The outstanding note payable balance at December 31, 2004 is approximately $575,000.

(8) Line of Credit

On December 24, 2003, the Company entered into a $150,000,000 unsecured line of credit arrangement with a bank for a period of one year. The funds from this line of credit were used to provide liquidity from the time a property was purchased until permanent debt was placed on the property. The Company was required to pay interest only on the outstanding balance from time to time under the line at the rate equal to LIBOR plus 175 basis points. The Company was also required to pay, on a quarterly basis, an amount ranging from .15% to .30%, per annum, on the average daily undrawn funds remaining under this line. The line of credit required compliance with certain covenants, such as debt service ratios, minimum net worth requirements, distribution limitations and investment restrictions. As of December 31, 2003, the Company was in compliance with such covenants. In connection with obtaining this line of credit, the Company paid fees in an amount totaling approximately $1,044,000 (which included a .65% commitment fee). The outstanding balance on the line of credit was $5,000,000 as of December 31, 2003 with an effective interest rate of 2.9375% per annum.

On December 16, 2004, the Company terminated the existing line of credit agreement and executed a new unsecured line of credit facility with a bank for up to $100,000,000 with an optional unsecured borrowing capacity of $150,000,000 for a total unsecured borrowing capacity of $250,000,000. The facility has an initial term of one year with two one-year extension options, with an annual variable interest rate. The funds from this line of credit may be used to provide liquidity from the time a property is purchased until permanent debt is placed on that property. The line of credit requires interest only payments monthly at the rate equal to the London InterBank Offered Rate or LIBOR plus 175 basis points which ranged from 2.34% to 2.42% during the quarter ended December 31, 2004. The Company is also required to pay, on a quarterly basis, an amount ranging from .15% to .25%, per annum, on the average daily undrawn funds under this line. The line of credit requires compliance with certain covenants, such as debt service ratios, minimum net worth requirements, distribution limitations and investment restrictions. As of December 31, 2004, the Company was in compliance with such covenants. There was no outstanding balance on the line as of December 31, 2004.

(9) Investments in Unconsolidated Joint Ventures

On August 11, 2004, CR Investors, LLC, an entity wholly owned by Reisterstown Plaza Holdings, LLC (a joint venture entity consolidated by the Company), invested $5,781,600 to purchase a 36.5% tenancy in common interest in an apartment complex known as Courthouse Square located in Towson, MD.

(A Maryland Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2004 and 2003
(continued)

On November 5, 2004, CRP Power Plant Investors, LLC, an entity wholly owned by Reisterstown Plaza Holdings, LLC (a joint venture entity consolidated by the Company), invested $15,000,000 to purchase a 37.5% interest in a retail/office complex known as The Power Plant located in Baltimore, MD. On the same day, CGW Power Plant Investors, LLC, an entity wholly owned by Gateway Village Holding, LLC (a joint venture entity consolidated by the Company), invested $5,000,000 to purchase a 12.5% interest in The Power Plant.

On November 5, 2004, CTC Pier IV Investors, LLC, an entity wholly owned by Towson Circle Holding, LLC (a joint venture entity consolidated by the Company), invested $5,000,000 to purchase a 16.67% interest in a retail/office complex known as Pier IV located in Baltimore, MD. On the same day, CTOLL Pier IV Investors, LLC, an entity wholly owned by Tollgate Marketplace Holding Company, LLC (a joint venture entity consolidated by the Company), invested $15,000,000 to purchase a 50.0% interest in Pier IV.

On December 23, 2004, NP Acquisitions, LLC, an entity wholly owned by CR Investors, LLC an entity wholly owned by Reisterstown Plaza Holdings, LLC (a joint venture entity consolidated by the Company), invested $2,250,000 to purchase a 25% tenancy in common interest in a retail complex known as North Plaza Shopping Center located in Parkville, MD.

On December 29, 2004, CGW Louisville Investors, LLC, an entity wholly owned by Gateway Village Holding, LLC (a joint venture entity consolidated by the Company), invested $1,900,000 to purchase a 3.3% interest in a retail/office complex known as Louisville Galleria located in Louisville, KY. On the same day, CTOLL Louisville Investors, LLC, an entity wholly owned by Tollgate Marketplace Holding Company, LLC (a joint venture entity consolidated by the Company), invested $7,200,000 to purchase a 12.0% interest in Louisville Galleria. Also, on the same day, CCC Louisville Investors, LLC an entity wholly owned by Capital Centre Holdings, LLC (a joint venture entity consolidated by the Company), invested $19,100,000 to purchase a 31.8% member interest in Louisville Galleria.

These investments are accounted for utilizing the equity method of accounting. Under the equity method of accounting, the net equity investment of the Company is reflected on the Consolidated Balance Sheets and the Consolidated Statements of Operations includes the Company's share of net income or loss from the unconsolidated entity. For the year ended December 31, 2004, all equity in earnings of unconsolidated entities was allocated to the Company's joint venture partners in accordance with the entities' operating agreements.

(10) Segment Reporting

The Company owns and seeks to acquire single-user net lease properties and multi-tenant shopping centers principally in the western United States. The Company's shopping centers are typically anchored by discount retailers, home improvement retailers, grocery and drugstores complemented with additional stores providing a wide range of other goods and services to shoppers.

The Company assesses and measures operating results on an individual property basis for each of its properties based on net property operations. Since all of the Company's properties exhibit highly similar economic characteristics, cater to the day-to-day living needs of their respective surrounding communities, and offer similar degrees of risk and opportunities for growth, the properties have been aggregated and reported as one operating segment.

INLAND WESTERN RETAIL REAL ESTATE TRUST, INC.
(A Maryland Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2004 and 2003
(continued)

Net property operations are summarized in the following table for the year ended December 31, 2004 and for the period from March 5, 2003 through December 31, 2003, along with a reconciliation to net income.

		2004
Property rental income and additional property income	$	130,404,
Total property operating expenses		(32,521,
Interest expense		(33,174,
Net property operations		64,708,
Other income		3,681,
Less non-property expenses:		
General and administrative expenses		(4,857,
Depreciation and amortization		(47,973,
Realized loss on sale of treasury contracts		(3,666,
Minority interests		397,
Equity in earnings (losses) of unconsolidated entities		(589,
Net income (loss)	$	11,700,

The following table summarizes property asset information as of December 31, 2004 and December 31, 2003.

	December 31, 2004	December 31, 20
Total assets:		
Rental real estate	$ 3,601,512,810	$ 142,804,1
Non-segment assets	354,302,750	69,298,0
	$ 3,955,815,560	$ 212,102,1

The Company does not derive any of its consolidated revenue from foreign countries and does not have any major customers that individually account for 10% or more of the Company's consolidated revenues.

(11) Earnings (loss) per Share

Basic earnings (loss) per share ("EPS") are computed by dividing income by the weighted average number of common shares outstanding for the period (the "common shares"). Diluted EPS is computed by dividing net income (loss) by the common shares plus shares issuable upon exercising options or other contracts. As a result of the net loss incurred in 2003, diluted weighted average shares outstanding do not give effect to common stock equivalents as to do so would be anti-dilutive. As of December 31, 2004, options to purchase 17,500 shares of common stock at an exercise price of $8.95 per share were outstanding. These options were not included in the computation of basic or diluted EPS as the effect would be immaterial.

The basic and diluted weighted average number of common shares outstanding was 98,562,885 and 2,520,986 for the year ended December 31, 2004 and the period from March 5, 2003 (inception) to December 31, 2003, respectively.

(12) Commitments and Contingencies

The Company has closed on several properties which have earnout components, meaning the Company did not pay for portions of these properties that were not rent producing. The Company is obligated, under certain agreements, to pay for those portions when the tenant moves into its space and begins to pay rent. The earnout payments are based on a predetermined formula. Each earnout agreement has a time limit regarding the obligation to pay any additional monies. If at the end of the time period allowed certain space has not been leased and occupied, the Company will own that space without any further obligation. Based on pro forma leasing rates, the Company may pay as much as $189,042,868 in the future, as retail space covered by earnout agreements is occupied and becomes rent producing.

During 2004, the Company entered into two installment note agreements in which the Company is obligated to fund up to a total of $33,398,314. The notes maintain stated interest rates of 6.993% and 7.5572% per annum and mature in July 2005 and August 2005. Each note requires monthly interest payments with the entire principal balance due at maturity. The combined receivable balance at December 31, 2004 was $31,771,731. Therefore, the Company may be required to fund up to an additional $1,626,583 on these notes.

The Company has obtained three irrevocable letters of credit related to loan fundings against earnout spaces at certain properties. Once the Company purchases the remaining portion of these properties and meet certain occupancy requirements, the letters of credit will be released. The balance of outstanding letters of credit at December 31, 2004 is $11,573,100.

In connection with the purchase of one of our properties, the Company received a price adjustment in the amount of $763,072 related to spaces that were vacant at the time of closing. If at any time during the next two years the seller is able to lease that space under conditions satisfactory to the Company, the Company is obligated to pay the seller a pro-rata share of the purchase price reduction.

The Company has entered into interest rate lock agreements with various lenders to secure interest rates on mortgage debt on properties the Company currently owns or will purchase in the future. The Company has outstanding rate lock deposits in the amount of $2,826,055 as of December 31, 2004 which are applied as credits to the mortgage fundings as they occur. These agreements lock interest rates from 4.45% to 5.12% for periods from 60 days to 90 days on approximately $240 million in principal.

The Company is currently considering acquiring nine properties for an estimated purchase price of $226 million. The Company's decision to acquire each property will generally depend upon no material adverse change occurring relating to the property, the tenants or in the local economic conditions and the Company's receipt of satisfactory due diligence information including appraisals, environmental reports and lease information prior to purchasing the property.

(13) Subsequent Events

The Company issued 42,629,352 shares of common stock and repurchased 28,459 shares of common stock from January 1, 2005 through February 28, 2005 in connection with the initial public offering and second offering, resulting in gross proceeds of approximately $425 million.

The Company paid distributions of $11,377,712 and $12,232,404 to its stockholders in January and February 2005, respectively.

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INLAND WESTERN RETAIL REAL ESTATE TRUST, INC.
(A Maryland Corporation)

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December 31, 2004 and 2003
(continued)

The Company has acquired the following properties or joint venture interests in properties during the period January 1 to February 28, 2005. The respective acquisitions are detailed in the table below.

DATE ACQUIRED	PROPERTY	YEAR BUILT	APPROXIMATE PURCHASE PRICE ($)	GROSS LE ARE (SQ.
01/05/05	Fairgrounds Plaza Middletown, NY	2002-2004	21,994,125	
01/06/05	Maytag Distribution Center Iowa City, IA	2004	23,159,499	7
01/10/05	Midtown Center Milwaukee, WI	1986-1987	53,000,000	3
01/10/05	Hobby Lobby Concord, NC	2004	5,500,000	
01/19/05	Stanley Works/Mac Tools Westerville, OH	2004	10,000,000	
01/25/05	American Express Markham, Ontario, Canada	1983 & 1987	42,000,000	3
01/28/05	Academy Sports San Antonio, TX	2004	7,150,000	

02/01/05	Magnolia Square Houma, LA	2004	19,113,739	1
02/02/05	Cottage Plaza Pawtucket, RI	2004-2005	23,439,950	
02/09/05	The Village at Quail Springs Oklahoma City, OK	2003-2004	10,428,978	1
02/11/05	Holliday Towne Center Duncansville, PA	2003	14,827,645	
02/18/05	Trenton Crossing McAllen, TX	2003	29,212,209	2

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INLAND WESTERN RETAIL REAL ESTATE TRUST, INC.
(A Maryland Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2004 and 2003
(continued)

The mortgage debt and financings obtained during the period January 1 to February 28, 2005, are detailed in the table below.

DATE FUNDED	MORTGAGE PAYABLE	ANNUAL INTEREST RATE	MATURITY DATE
01/05/05	Fairgrounds Plaza Middletown, NY	5.690%	02/01/33
01/24/05	Hobby Lobby Concord, NC	5.115%	02/01/10
01/25/05	American Express Markham, Ontario, Canada	4.2975%	02/01/15
01/28/05	Coram Plaza Coram, NY	4.550%	02/01/10
01/31/05	Low Country Village II Bluffton, SC	5.130%	05/01/09
01/31/05	Irmo Station Irmo, SC	5.1236%	02/01/10
02/01/05	Evans Towne Centre Evans, GA	4.670%	02/01/10
02/03/05	Magnolia Square Houma, LA	5.115%	03/01/10

02/04/05	Green's Corner Cumming, GA	4.500%	02/11/10
02/04/05	Newton Crossroads Covington, GA	4.500%	02/11/10
02/04/05	Stilesboro Oaks Acworth, GA	4.500%	02/11/10
02/09/05	Five Forks Simpsonville, NC	4.815%	02/11/10

DATE FUNDED	MORTGAGE PAYABLE	ANNUAL INTEREST RATE	MATURITY DATE
02/14/05	University Town Center Tuscaloosa, AL	4.430%	03/01/10
02/14/05	Edgemont Town Center Homewood, AL	4.430%	03/01/10
02/16/05	Southlake Town Square Southlake, TX	4.550%	03/11/10
02/16/05	Midtown Center Milwaukee, WI	4.460%	03/11/10
02/17/05	McAllen Shopping Center McAllen, TX	5.060%	03/01/10
02/18/05	Southlake Town Square II Southlake, TX	4.550%	03/11/10
02/18/05	Mesa Fiesta Mesa, AZ	5.300%	02/01/10
02/24/05	Academy Sports San Antonio, TX	5.060%	03/01/10
02/25/05	The Village at Quail Springs Oklahoma City, OK	5.060%	03/01/10

The Company is obligated under earnout agreements to pay for certain tenant space in our existing properties after the tenant moves into its space and begins paying rent. During the period from January 1 to February 28, 2005, the Company funded earnouts totaling $20,552,372 at 7 of its existing properties.

During the period from January 1, 2005 to February 28, 2005, the Company entered into rate lock agreements which lock interest rates from 4.47% to 4.69% for periods from 30 days to 90 days on approximately $300 million in principal.

INLAND WESTERN RETAIL REAL ESTATE TRUST, INC.
(A Maryland Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2004 and 2003
(continued)

(14) Supplemental Financial Information (unaudited)

The following represents the results of operations, for the each quarterly period, during 2004 and 2003.

	2004	
	Dec. 31	Sept. 30
Total income	$ 62,433,343	42,199,376
Net income (loss)	7,286,936	2,266,656
Net income (loss), per common share, basic and diluted:	.04	.02
Weighted average number of common shares outstanding, basic and diluted	182,739,194	112,887,491

	2003	
	Dec. 31	Sept. 30
Total income	$ 782,281	-
Net income (loss)	(132,535)	(32,794)
Net income (loss), per common share, basic and diluted:	(.02)	(1.64)
Weighted average number of common shares outstanding, basic and diluted	8,319,975	20,000

INLAND WESTERN RETAIL REAL ESTATE TRUST, INC.
(A MARYLAND CORPORATION)

SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION

DECEMBER 31, 2004

Initial Cost (A)

MULTI-TENANT	Encumbrances	Land	Buildings and Improvements	Adjustments to Basis (C)
23rd Street Plaza Panama City, FL	-	1,300,000	5,318,806	
Alison's Corner San Antonio, TX.	3,850,000	1,045,000	5,700,345	
Arvada Connection and Arvada Marketplace Arvada, CO	28,510,000	8,125,000	39,383,116	17,682
Azalea Square Summerville, SC	16,535,000	6,375,000	21,303,772	(14,793)
Bed, Bath & Beyond Plaza Miami, FL	11,192,500	-	18,367,361	
Best on the Boulevard Las Vegas, NV	19,525,000	7,460,000	25,583,195	(84,486)
Bluebonnet Parc Baton Rouge, LA	12,100,000	4,450,000	16,407,032	(101,955)
Boulevard at the Capital Centre Largo, MD	71,500,000	-	114,702,961	(418,558)
The Columns Jackson, TN	14,865,400	5,830,000	19,438,839	(22,200)
Coram Plaza Coram, NY	20,760,000	10,200,000	26,177,515	
CorWest Plaza New Britain, CT	18,150,000	6,900,000	23,850,938	(13,950)
Cranberry Square Cranberry Township, PA	10,900,000	3,000,000	18,736,381	
Darien Towne Center Darien, IL	16,500,000	7,000,000	22,468,408	213,305
Davis Towne Crossing North Richland Hills, TX.	5,365,200	1,850,000	5,681,061	
Denton Crossing Denton, TX	35,200,000	6,000,000	43,433,763	
Dorman Center - Phase 1 & II Spartanburg, SC	27,610,000	17,025,000	29,478,484	(103,087)
Eastwood Towne Center Lansing, MI	46,750,000	12,000,000	65,066,567	
Edgemont Town Center Homewood, AL	-	3,500,000	10,956,495	
Evans Towne Centre Evans, GA	-	1,700,000	6,424,805	

	Gross amount carried at end of period				
MULTI-TENANT	Land	Buildings and Improvements	Total (B) (D)	Accumulated Depreciation (E)	Con
23rd Street Plaza Panama City, FL	1,300,000	5,318,806	6,618,806	-	
Alison's Corner San Antonio, TX.	1,045,000	5,700,345	6,745,345	139,668	
Arvada Connection and Arvada Marketplace Arvada, CO	8,125,000	39,400,798	47,525,798	974,072	19
Azalea Square Summerville, SC	6,375,000	21,288,979	27,663,979	130,069	
Bed, Bath & Beyond Plaza	-	18,367,361	18,367,361	168,316	

Miami, FL					
Best on the Boulevard Las Vegas, NV	7,460,000	25,498,709	32,958,709	702,197	19
Bluebonnet Parc Baton Rouge, LA	4,450,000	16,305,078	20,755,078	419,934	
Boulevard at the Capital Centre Largo, MD	-	114,284,403	114,284,403	1,383,741	
The Columns Jackson, TN	5,830,000	19,416,639	25,246,639	224,291	
Coram Plaza Coram, NY	10,200,000	26,177,515	36,377,515	-	
CorWest Plaza New Britain, CT	6,900,000	23,836,988	30,736,988	875,539	199
Cranberry Square Cranberry Township, PA	3,000,000	18,736,381	21,736,381	343,369	19
Darien Towne Center Darien, IL	7,000,000	22,681,714	29,681,714	847,581	
Davis Towne Crossing North Richland Hills, TX.	1,850,000	5,681,061	7,531,061	103,773	20
Denton Crossing Denton, TX	6,000,000	43,433,763	49,433,763	258,849	20
Dorman Center - Phase 1 & II Spartanburg, SC	17,025,000	29,375,397	46,400,397	909,740	20
Eastwood Towne Center Lansing, MI	12,000,000	65,066,567	77,066,567	1,590,128	
Edgemont Town Center Homewood, AL	3,500,000	10,956,495	14,456,495	33,474	
Evans Towne Centre Evans, GA	1,700,000	6,424,805	8,124,805	-	

MULTI-TENANT	Encumbrances	Initial Cost (A)		Adjustments to Basis (C)
		Land	Buildings and Improvements	
Five Forks Simpsonville, SC	-	2,100,000	5,374,421	
Forks Town Center Easton, PA	10,395,000	2,430,000	14,835,863	
Fox Creek Village Longmont, CO	11,485,000	3,755,000	15,563,434	(33,181)
Fullerton Metrocenter Fullerton, CA	28,050,000	-	47,403,451	(199,396)
Gateway Pavilions Avondale, AZ	35,842,000	9,880,000	55,194,702	
Gateway Plaza Southlake, TX	18,163,000	-	26,370,511	
Gateway Station College Station, TX	-	1,050,000	3,910,500	
Gateway Village Annapolis, MD	31,458,000	8,550,000	39,298,239	
Governor's Marketplace Tallahassee, FL	20,625,000	-	30,377,452	(56,281)
Green's Corner Cumming, GA	-	3,200,000	8,663,397	

Gurnee Town Center Gurnee, IL	24,360,000	7,000,000	35,146,950	(22,965)
Harvest Towne Center Knoxville, TN	5,005,000	3,155,000	5,085,037	
Henry Town Center McDonough, GA	35,814,616	10,650,000	46,813,649	
Heritage Towne Crossing Euless, TX	8,950,000	3,065,000	10,729,077	
Hickory Ridge Hickory, NC	23,650,000	6,860,000	30,517,166	
Huebner Oaks Center San Antonio, TX	48,000,000	14,080,000	59,825,626	88,560
Irmo Station Irmo, SC	-	2,600,000	9,247,308	
John's Creek Village Duluth, GA	23,300,000	5,750,000	21,269,874	
La Plaza Del Norte San Antonio, TX	32,528,000	16,005,000	37,744,002	(288,670)
Lake Mary Pointe Orlando, FL	3,657,500	2,075,000	4,009,147	
Lakewood Towne Center Lakewood, WA	51,260,000	11,200,000	70,796,423	(360,223)
Larkspur Landing Larkspur, CA	33,630,000	20,800,000	32,820,864	480,656
Lincoln Park Dallas, TX	26,153,000	9,360,000	34,717,980	
Low Country Village Bluffton, SC	5,370,000	1,550,000	8,778,906	(4,871)

MULTI-TENANT	Gross amount carried at end of period				
	Land	Buildings and Improvements	Total (B) (D)	Accumulated Depreciation (E)	Con
Five Forks Simpsonville, SC	2,100,000	5,374,421	7,474,421	16,400	
Forks Town Center Easton, PA	2,430,000	14,835,863	17,265,863	226,641	
Fox Creek Village Longmont, CO	3,755,000	15,530,253	19,285,253	47,426	20
Fullerton Metrocenter Fullerton, CA	-	47,204,055	47,204,055	864,861	
Gateway Pavilions Avondale, AZ	9,880,000	55,194,702	65,074,702	168,492	20
Gateway Plaza Southlake, TX	-	26,370,511	26,370,511	403,357	
Gateway Station College Station, TX	1,050,000	3,910,500	4,960,500	11,932	20
Gateway Village Annapolis, MD	8,550,000	39,298,239	47,848,239	597,527	
Governor's Marketplace Tallahassee, FL	-	30,321,171	30,321,171	370,888	
Green's Corner Cumming, GA	3,200,000	8,663,397	11,863,397	-	
Gurnee Town Center Gurnee, IL	7,000,000	35,123,985	42,123,985	214,573	
Harvest Towne Center Knoxville, TN	3,155,000	5,085,037	8,240,037	62,188	19
Henry Town Center McDonough, GA	10,650,000	46,813,649	57,463,649	-	

Heritage Towne Crossing Euless, TX	3,065,000	10,729,077	13,794,077	327,196	
Hickory Ridge Hickory, NC	6,860,000	30,517,166	37,377,166	1,088,098	
Huebner Oaks Center San Antonio, TX	14,080,000	59,914,186	73,994,186	1,283,898	19
Irmo Station Irmo, SC	2,600,000	9,247,308	11,847,308	-	198
John's Creek Village Duluth, GA	5,750,000	21,269,874	27,019,874	392,876	20
La Plaza Del Norte San Antonio, TX	16,005,000	37,455,332	53,460,332	1,276,221	19
Lake Mary Pointe Orlando, FL	2,075,000	4,009,147	6,084,147	24,484	
Lakewood Towne Center Lakewood, WA	11,200,000	70,436,200	81,636,200	1,294,701	1988
Larkspur Landing Larkspur, CA	20,800,000	33,301,520	54,101,520	1,211,593	19
Lincoln Park Dallas, TX	9,360,000	34,717,980	44,077,980	424,282	
Low Country Village Bluffton, SC	1,550,000	8,774,035	10,324,035	160,970	

MULTI-TENANT	Encumbrances	Initial Cost (A) Land	Initial Cost (A) Buildings and Improvements	Adjustments to Basis (C)
MacArthur Crossing Los Colinas, TX	12,700,000	4,710,000	16,264,562	
Manchester Meadows Town and Country, MO	31,064,550	14,700,000	39,737,846	(84,875)
Mansfield Towne Crossing Mansfield, TX	10,982,300	3,300,000	12,194,571	
McAllen Shopping Center McAllen, TX	-	850,000	2,958,498	
Mesa Fiesta Mesa, AZ	-	7,372,000	26,730,387	
Mitchell Ranch Plaza New Port Richey, FL	18,700,000	5,550,000	26,212,826	(65,767)
Newnan Crossing I Newnan, GA	21,543,091	4,542,244	12,188,579	(832,534)
Newnan Crossing II Newnan, GA	2,223,100	10,557,591	21,798,114	
Newton Crossroads Covington, GA	-	3,350,000	6,926,760	
North Ranch Pavilions Thousand Oaks, CA	10,157,400	9,705,000	8,295,988	43,735
North Rivers Town Center Charleston, SC	11,050,000	3,350,000	15,720,415	
Northgate North Seattle, WA	26,650,000	7,540,000	49,077,929	
Northpointe Plaza Spokane, WA	30,850,000	13,800,000	37,706,966	(48,029)
Northwoods Center	11,192,500	3,415,000	9,474,629	

Wesley Chapel, FL				
Oswego Commons	19,262,100	6,250,000	26,629,204	
Oswego, IL				
Paradise Valley Marketplace	15,680,500	6,590,000	20,425,319	(147,469)
Phoenix, AZ				
Pavilion at King's Grant	5,342,000	4,300,000	2,741,212	15,748
Concord, NC				
Peoria Crossings	20,497,400	6,240,000	29,190,441	(68,395)
Peoria, AZ				
Phenix Crossing	-	2,600,000	6,776,273	
Phenix City, AL				
Pine Ridge Plaza	14,700,000	5,000,000	19,802,170	
Lawrence, KS				
Placentia Town Center	13,695,000	11,200,000	11,750,963	
Placentia, CA				
Plaza at Marysville	11,800,000	6,600,000	13,727,658	
Marysville, WA				
Plaza at Riverlakes	-	5,100,000	10,824,341	
Bakersfield, CA				

	Gross amount carried at end of period				
MULTI-TENANT	Land	Buildings and Improvements	Total (B) (D)	Accumulated Depreciation (E)	Con
MacArthur Crossing	4,710,000	16,264,562	20,974,562	546,335	19
Los Colinas, TX					
Manchester Meadows	14,700,000	39,652,971	54,352,971	608,067	19
Town and Country, MO					
Mansfield Towne Crossing	3,300,000	12,194,571	15,494,571	74,502	20
Mansfield, TX					
McAllen Shopping Center	850,000	2,958,498	3,808,498	-	
McAllen, TX					
Mesa Fiesta	7,372,000	26,730,387	34,102,387	-	
Mesa, AZ					
Mitchell Ranch Plaza	5,550,000	26,147,060	31,697,060	319,699	
New Port Richey, FL					
Newnan Crossing I	4,542,244	11,356,045	15,898,289	414,663	
Newnan, GA					
Newnan Crossing II	10,557,591	21,798,114	32,355,705	449,285	
Newnan, GA					
Newton Crossroads	3,350,000	6,926,760	10,276,760	-	
Covington, GA					
North Ranch Pavilions	9,705,000	8,339,723	18,044,723	306,554	
Thousand Oaks, CA					
North Rivers Town Center	3,350,000	15,720,415	19,070,415	384,070	20
Charleston, SC					
Northgate North	7,540,000	49,077,929	56,617,929	899,882	19
Seattle, WA					
Northpointe Plaza	13,800,000	37,658,937	51,458,937	807,530	19
Spokane, WA					
Northwoods Center	3,415,000	9,474,629	12,889,629	28,945	20
Wesley Chapel, FL					
Oswego Commons	6,250,000	26,629,204	32,879,204	81,370	20
Oswego, IL					
Paradise Valley Marketplace	6,590,000	20,277,850	26,867,850	521,508	
Phoenix, AZ					
Pavilion at King's Grant	4,300,000	2,756,960	7,056,960	107,010	20
Concord, NC					
Peoria Crossings	6,240,000	29,122,046	35,362,046	964,437	20

Peoria, AZ					
Phenix Crossing	2,600,000	6,776,273	9,376,273	-	
Phenix City, AL					
Pine Ridge Plaza	5,000,000	19,802,170	24,802,170	421,316	19
Lawrence, KS					
Placentia Town Center	11,200,000	11,750,963	22,950,963	35,898	19
Placentia, CA					
Plaza at Marysville	6,600,000	13,727,658	20,327,658	207,702	
Marysville, WA					
Plaza at Riverlakes	5,100,000	10,824,341	15,924,341	66,115	
Bakersfield, CA					

MULTI-TENANT	Encumbrances	Initial Cost (A) Land	Initial Cost (A) Buildings and Improvements	Adjustments to Basis (C)
Plaza Santa Fe II	17,393,732	-	28,587,813	(59,393)
Santa Fe, NM				
Pleasant Run Towne Center	22,800,000	4,200,000	29,084,836	
Cedar Hill, TX				
Promenade at Red Cliff	10,590,000	5,340,000	12,664,907	
St. George, UT				
Reisterstown Road Plaza	49,650,000	15,800,000	70,371,762	(260,184)
Baltimore, MD				
Saucon Valley Square	8,850,900	3,200,000	12,641,881	
Bethlehem, PA				
Shoppes at Lake Andrew	15,656,511	4,000,000	22,996,002	
Viera, FL				
The Shoppes at Park West				
(Publix Center)	6,655,000	2,240,000	9,356,781	210
Mt. Pleasant, SC				
Shoppes at Quarterfield				
(Metro Square Center)	6,067,183	2,190,000	8,839,520	
Severn, MD				
Shoppes of Dallas	7,178,700	1,350,000	11,045,345	84,202
Dallas, GA				
Shoppes of Prominence Point	9,954,300	2,850,000	11,148,965	(7,331)
Canton, GA				
The Shops at Boardwalk	20,150,000	5,000,000	30,540,431	(203,838)
Kansas City, MO				
Shops at Forest Commons	5,229,789	1,050,000	6,132,547	
Round Rock, TX				
Shops at Park Place	13,127,000	9,096,000	13,174,867	256,937
Plano, TX				
Southlake Town Square	-	16,350,000	110,778,125	
Southlake, TX				
Stilesboro Oaks	-	2,200,000	9,426,287	
Acworth, GA				
Stony Creek Marketplace	14,162,000	6,735,000	17,564,434	20,945
Noblesville, IN				
Tollgate Marketplace	39,765,000	8,700,000	61,247,363	
Bel Air, MD				
Towson Circle	19,197,500	9,050,000	17,840,034	(36,654)
Towson, MD				

University Town Center Tuscaloosa, AL	-	-	9,556,971	
Village Shoppes at Simonton Lawrenceville, GA	7,561,700	2,200,000	10,873,898	(86,687)
Watauga Pavilion Watauga, TX	17,100,000	5,185,000	27,503,862	
Winchester Commons Memphis, TN	7,235,000	4,400,000	7,471,467	(2,918)
SUBTOTAL MULTI-TENANT	1,423,423,471	506,632,835	2,138,977,574	(2,406,708)

	Gross amount carried at end of period				
MULTI-TENANT	Land	Buildings and Improvements	Total (B) (D)	Accumulated Depreciation (E)	Con
Plaza Santa Fe II Santa Fe, NM	-	28,528,421	28,528,421	610,545	20
Pleasant Run Towne Center Cedar Hill, TX	4,200,000	29,084,836	33,284,836	-	
Promenade at Red Cliff St. George, UT	5,340,000	12,664,907	18,004,907	425,495	
Reisterstown Road Plaza Baltimore, MD	15,800,000	70,111,578	85,911,578	1,034,081	19
Saucon Valley Square Bethlehem, PA	3,200,000	12,641,881	15,841,881	154,414	
Shoppes at Lake Andrew Viera, FL	4,000,000	22,996,002	26,996,002	-	
The Shoppes at Park West (Publix Center) Mt. Pleasant, SC	2,240,000	9,356,991	11,596,991	57,018	
Shoppes at Quarterfield (Metro Square Center) Severn, MD	2,190,000	8,839,520	11,029,520	296,973	
Shoppes of Dallas Dallas, GA	1,350,000	11,129,547	12,479,547	204,210	
Shoppes of Prominence Point Canton, GA	2,850,000	11,141,635	13,991,635	204,307	
The Shops at Boardwalk Kansas City, MO	5,000,000	30,336,593	35,336,593	558,200	20
Shops at Forest Commons Round Rock, TX	1,050,000	6,132,547	7,182,547	18,664	
Shops at Park Place Plano, TX	9,096,000	13,431,805	22,527,805	593,842	
Southlake Town Square Southlake, TX	16,350,000	110,778,125	127,128,125	-	19
Stilesboro Oaks Acworth, GA	2,200,000	9,426,287	11,626,287	-	
Stony Creek Marketplace Noblesville, IN	6,735,000	17,585,379	24,320,379	733,916	
Tollgate Marketplace Bel Air, MD	8,700,000	61,247,363	69,947,363	932,050	19
Towson Circle Towson, MD	9,050,000	17,803,379	26,853,379	272,109	
University Town Center Tuscaloosa, AL	-	9,556,971	9,556,971	29,195	
Village Shoppes at Simonton Lawrenceville, GA	2,200,000	10,787,211	12,987,211	165,348	
Watauga Pavilion Watauga, TX	5,185,000	27,503,862	32,688,862	588,588	20
Winchester Commons	4,400,000	7,468,549	11,868,549	45,641	

Memphis, TN				
SUBTOTAL MULTI-TENANT	506,632,835	2,136,570,866	2,643,203,701	33,742,830

SINGLE-USER	Encumbrances	Initial Cost (A) Land	Initial Cost (A) Buildings and Improvements	Adjustments to Basis (C)
Academy Sports Houma, LA	2,920,000	1,230,000	3,751,721	
Academy Sports Midland, TX	2,337,500	1,340,000	2,942,634	
Academy Sports Port Arthur, TX	2,775,000	1,050,000	3,954,157	
American Express De Pere, WI	11,623,000	1,400,000	15,370,089	
American Express Fort Lauderdale, FL	37,170,000	2,900,000	55,966,421	
American Express Greensboro, NC	33,040,000	2,800,000	49,470,089	
American Express Minneapolis, MN	56,050,000	14,200,000	74,607,812	
American Express - 19th Ave. Phoenix, AZ	8,260,000	2,900,000	10,170,089	
American Express - 31st Ave. Phoenix, AZ	31,860,000	5,100,000	45,270,089	
CVS Pharmacy (Eckerd Drug Store) Edmund, OK	1,850,000	975,000	2,400,249	1,336
CVS Pharmacy (Eckerd Drug Store) Norman, OK	2,900,000	932,000	4,369,730	
CVS Pharmacy Sylacauga, AL	1,685,000	600,000	2,469,216	
Eckerd Drug Store Columbia, SC	1,750,000	900,000	2,376,504	
Eckerd Drug Store Crossville, TN	1,425,000	600,000	2,033,000	
Eckerd Drug Store Greer, SC	1,650,000	1,050,000	2,047,200	
Eckerd Drug Store Kill Devil Hills, NC	1,975,000	700,000	2,960,139	
GMAC Winston-Salem, NC	33,000,000	8,250,000	50,287,192	
Harris Teeter Wilmington, NC	3,960,000	1,810,000	5,152,401	
Kohl's/Wilshire Plaza III Kansas City, MO	5,417,500	2,600,000	6,848,649	
Shaw's Supermarket New Britain, CT	6,450,000	2,700,000	11,532,191	(139,774)
Wal-Mart Supercenter Blytheville, AR	7,100,000	1,756,000	10,913,942	
Wal-Mart Supercenter Jonesboro, AR	6,088,500	2,397,000	8,089,320	
Wrangler El Paso, TX	11,300,000	1,218,669	16,249,921	

	Gross amount carried at end of period				
SINGLE-USER	Land	Buildings and Improvements	Total (B) (D)	Accumulated Depreciation (E)	Con
Academy Sports Houma, LA	1,230,000	3,751,721	4,981,721	57,225	
Academy Sports Midland, TX	1,340,000	2,942,634	4,282,634	17,969	
Academy Sports Port Arthur, TX	1,050,000	3,954,157	5,004,157	24,164	
American Express De Pere, WI	1,400,000	15,370,089	16,770,089	-	
American Express Fort Lauderdale, FL	2,900,000	55,966,421	58,866,421	-	
American Express Greensboro, NC	2,800,000	49,470,089	52,270,089	-	
American Express Minneapolis, MN	14,200,000	74,607,812	88,807,812	-	
American Express - 19th Ave. Phoenix, AZ	2,900,000	10,170,089	13,070,089	-	
American Express - 31st Ave. Phoenix, AZ	5,100,000	45,270,089	50,370,089	-	
CVS Pharmacy (Eckerd Drug Store) Edmund, OK	975,000	2,401,585	3,376,585	89,028	
CVS Pharmacy (Eckerd Drug Store) Norman, OK	932,000	4,369,730	5,301,730	163,287	
CVS Pharmacy Sylacauga, AL	600,000	2,469,216	3,069,216	15,090	
Eckerd Drug Store Columbia, SC	900,000	2,376,504	3,276,504	52,171	20
Eckerd Drug Store Crossville, TN	600,000	2,033,000	2,633,000	43,468	20
Eckerd Drug Store Greer, SC	1,050,000	2,047,200	3,097,200	43,688	20
Eckerd Drug Store Kill Devil Hills, NC	700,000	2,960,139	3,660,139	63,299	20
GMAC Winston-Salem, NC	8,250,000	50,287,192	58,537,192	460,933	19
Harris Teeter Wilmington, NC	1,810,000	5,152,401	6,962,401	62,960	19
Kohl's/Wilshire Plaza III Kansas City, MO	2,600,000	6,848,649	9,448,649	20,926	
Shaw's Supermarket New Britain, CT	2,700,000	11,392,417	14,092,417	431,997	
Wal-Mart Supercenter Blytheville, AR	1,756,000	10,913,942	12,669,942	166,680	
Wal-Mart Supercenter Jonesboro, AR	2,397,000	8,089,320	10,486,320	123,525	
Wrangler El Paso, TX	1,218,669	16,249,921	17,468,590	248,226	

Initial Cost (A)

SINGLE-USER	Encumbrances	Land	Buildings and Improvements	Adjustments to Basis (C)
Zurich Towers Schaumburg, IL	81,420,000	7,900,000	121,312,096	
SUBTOTAL SINGLE-USER	354,006,500	67,308,669	510,544,848	(138,437)
CONSOLIDATED JOINT VENTURES				
Cardiff Hall East Towson, MD	5,108,656	1,090,000	7,607,874	-
TOTAL INVESTMENT PROPERTIES	1,782,538,627	575,031,504	2,657,130,296	(2,545,145)

	Gross amount carried at end of period				
SINGLE-USER	Land	Buildings and Improvements	Total (B) (D)	Accumulated Depreciation (E)	Con
Zurich Towers Schaumburg, IL	7,900,000	121,312,096	129,212,096	369,841	19
SUBTOTAL SINGLE-USER	67,308,669	510,406,411	577,715,080	2,454,475	
CONSOLIDATED JOINT VENTURES					
Cardiff Hall East Towson, MD	1,090,000	7,607,874	8,697,873	92,725	
TOTAL INVESTMENT PROPERTIES	575,031,504	2,654,585,151	3,229,616,655	36,290,031	

INLAND WESTERN RETAIL REAL ESTATE TRUST, INC.
(A Maryland Corporation)

SCHEDULE III (CONTINUED)
REAL ESTATE AND ACCUMULATED DEPRECIATION

December 31, 2004 and 2003

Notes:

(A) The initial cost to the Company represents the original purchase price of the property, including amounts incurred subsequent to acquisition which were contemplated at the time the property was acquired.

(B) The aggregate cost of real estate owned at December 31, 2004 for Federal income tax purposes was approximately $3,029,000,000 (unaudited).

(C) Reconciliation of real estate owned:

		2004	2003
Balance at beginning of period	$	122,719,914	
Purchases of property		3,308,730,780	127,195,4
Payments received under master leases and principal escrow		(3,024,547)	
Acquired in-place lease intangibles and customer relationship value		(241,285,534)	(8,805,6
Acquired above market lease intangibles		(42,302,599)	(1,595,6
Acquired below market lease intangibles		84,778,641	5,925,7
Balance at end of period	$	3,229,616,655	122,719,9

(D) Reconciliation of accumulated depreciation:

Balance at beginning of period	$	140,497	
Depreciation expense		36,149,534	140,4
Balance at end of period	$	36,290,031	140,4

Inland Western Retail Real Estate Trust, Inc.
Pro Forma Consolidated Balance Sheet
December 31, 2004
(unaudited)

The following unaudited Pro Forma Consolidated Balance Sheet is presented as if the acquisitions of the properties and the issuance of the notes receivable had occurred on December 31, 2004.

This unaudited Pro Forma Consolidated Balance Sheet is not necessarily indicative of what the actual financial position would have been at December 31, 2004, nor does it purport to represent our future financial position. No pro forma adjustments have been made for any potential property acquisitions identified as of March 14, 2005. The Company does not consider these properties as probable under Rule 3-14 of Regulation S-X as the Company has not completed the due diligence process on these properties. Additionally, the Company has not received sufficient offering proceeds or obtained firm financing commitments to acquire all of these properties as of March 14, 2005. The Company believes it will have sufficient cash from offering proceeds raised and from additional financing proceeds to acquire these properties if and when the Company is prepared to acquire these properties.

Inland Western Retail Real Estate Trust, Inc.
Pro Forma Consolidated Balance Sheet
December 31, 2004
(unaudited)
(Amounts in thousands)

	Historical (A)	Pr Adj
ASSETS		
Net investment properties (B)	$ 3,193,327	
Cash and cash equivalents	241,224	
Restricted cash	65,923	
Restricted escrows	17,105	
Investment in marketable securities and treasury contracts	1,287	
Investment in unconsolidated joint ventures	75,261	
Accounts and rents receivable	19,962	
Due from affiliates	654	
Note receivable	31,772	
Acquired in-place lease intangibles and customer relationship value(B) (D)	240,116	
Acquired above market lease intangibles (B) (D)	40,774	
Loan fees, leasing fees and loan fee deposits (G)	19,472	
Other assets (G)	8,939	
Total assets	$ 3,955,816	
LIABILITIES AND STOCKHOLDERS' EQUITY		
Mortgage and notes payable (B) (E)	1,783,114	
Accounts payable	1,692	
Accrued offering costs due to affiliates	2,880	
Accrued interest payable	4,306	
Tenant improvements payable	5,096	
Accrued real estate taxes	4,254	
Distributions payable	11,378	
Security deposits	3,679	
Prepaid rental income and other liabilities	7,765	
Advances from sponsor	3,523	
Acquired below market lease intangibles (B) (D)	85,986	
Restricted cash liability	65,923	
Due to affiliates	957	
Total liabilities	1,980,553	
Minority interests	89,537	
Common stock (C)	217	
Additional paid-in capital (net of offering costs) (C)	1,940,018	
Accumulated distributions in excess of net income (F)	(54,750)	
Accumulated other comprehensive income	241	
Total stockholders' equity	1,885,726	
Total liabilities and stockholders' equity	$ 3,955,816	

See accompanying notes to pro forma consolidated balance sheet.

Inland Western Retail Real Estate Trust, Inc.
Notes to Pro Forma Consolidated Balance Sheet
December 31, 2004
(unaudited)

(A) The historical column represents our Consolidated Balance Sheet as of December 31, 2004 as filed with the Securities Exchange Commission on Form 10-K. As of December 31, 2004, the Company had sold 214,368,875 shares to the public and 3,079,003 shares were issued pursuant to the Company's distribution reinvestment program. In addition, the company had repurchased 10,350 shares pursuant to the Company's share repurchase program. As a result, the Company received $2,171,654,780 of gross offering proceeds. In addition, the Company received the Advisor's capital contribution of $200,000 for which the Advisor was issued 20,000 shares.

(B) The pro forma adjustments reflect the acquisition of the following properties or earnout components. The Company is obligated under earnout agreements to pay for certain tenant space in its existing properties after the tenant moves into its space and begins paying rent. The mortgages payable represent mortgages obtained from a third party, either assumed as part of the acquisition or subsequent to acquisition. No pro forma adjustment has been made for prorations or other closing costs as the amounts are not significant:

	Acquisition Price	Mortgage Payable
PURCHASES		
Fairgrounds Plaza	$ 21,994,000	15,982
Maytag Distribution Center	23,160,000	12,740
Midtown Center	53,000,000	28,228
Hobby Lobby - Concord	5,500,000	3,025
Stanley Works	10,000,000	
American Express - Markham, Ontario	42,000,000	25,380
Academy Sports - San Antonio	7,150,000	3,933
Magnolia Square	19,114,000	10,265
Cottage Plaza	23,440,000	13,025
Village of Quail Springs	10,429,000	5,740
Holliday Towne Center	14,828,000	8,050
Trenton Crossing	29,212,000	19,307
CVS Pharmacy - Jacksonville	6,000,000	
CarMax - San Antonio	14,600,000	
Southgate Plaza	12,253,000	
Stateline Station	32,000,000	
High Ridge Crossing	13,200,000	
American Express - Salt Lake City	48,000,000	28,320
EARNOUTS		
Reisterstown Road Plaza	3,670,000	
John's Creek Village	5,096,000	
Denton Crossing	1,286,000	
Gateway Village	3,636,000	
Mansfield Towne Crossing	2,275,000	

Heritage Towne Crossing	1,276,000	
Boulevard at the Capital Centre	3,312,000	
Total	$ 406,431,000	173,995

Inland Western Retail Real Estate Trust, Inc.
Notes to Pro Forma Consolidated Balance Sheet
December 31, 2004
(unaudited)

Allocation of net investments in properties:

Land	$ 69,133,000
Building and improvements	309,873,000
Acquired in-place lease intangibles and customer relationship value	25,278,000
Acquired above market lease intangibles	2,877,000
Acquired below market lease intangibles	(730,000)
Total	$ 406,431,000

(C) Additional offering proceeds of $526,210,000, net of additional offering costs of $63,146,000 are reflected as received as of December 31, 2004, prior to the purchase of the properties and are limited to offering proceeds necessary to acquire the properties and offering proceeds actually received as of March 14, 2005. Offering costs consist principally of registration costs, printing and selling costs, including commissions.

(D) Acquired intangibles represent above and below market leases and the difference between the property valued with the existing in-place leases and the property valued as if vacant as well as the value associated with customer relationships. The value of the acquired leases and customer relationship values will be amortized over the lease term.

(E) Additional mortgages payable of $357,650,000, reflected as funded as of December 31, 2004, includes $173,995,000 of mortgages payable obtained subsequent to the acquisition of the properties described in (B) and $183,655,000 of new financing placed on previously acquired properties.

(F) No pro forma assumptions have been made for the additional payment of distributions resulting from the additional proceeds raised.

(G) Change in loan fees, leasing fees and loan fee deposits of $5,691,000 represents prepaid loan fees applied to mortgage payables obtained as described in (E). Change in other assets of $103,000 represents advance purchase deposits on properties purchased as described in (B).

Inland Western Retail Real Estate Trust, Inc.
Pro Forma Consolidated Statement of Operations

For the year ended December 31, 2004
(unaudited)

The following unaudited Pro Forma Consolidated Statement of Operations is presented to give effect the acquisition of the properties indicated in Note B of the Notes to the Pro Forma Consolidated Statement of Operations as though they occurred on January 1, 2004 or the date significant operations commenced. No pro forma adjustments have been made for any potential property acquisitions identified as of March 14, 2005. The Company does not consider these properties as probable under Rule 3-14 of Regulation S-X as the Company has not completed the due diligence process on these properties. Additionally, the Company has not received sufficient offering proceeds or obtained firm financing commitments to acquire all of these properties as of March 14, 2005. The Company believes it will have sufficient cash from offering proceeds raised and from additional financing proceeds to acquire these properties if and when the Company is prepared to acquire these properties. No pro forma adjustments were made for Eckerd - Greer, Eckerd - Kill Devil Hills, Eckerd - Columbia, Eckerd - Crossville, Kohl's - Wilshire Plaza III, Academy Sports - Houma, The Columns - Phase II, Academy Sports - Port Arthur, Academy Sports - Midland, Hobby Lobby - Concord, Stanley Works, Academy Sports - San Antonio or CVS Pharmacy - Jacksonville as the properties were completed in 2004 and there were no significant operations prior to the Company's acquisition. No pro forma adjustments were made related to the Pacheco Pass and Quakertown notes receivable as the properties were completed in 2004 and there were no significant operations prior to the Company's funding of the notes receivable.

This unaudited Pro Forma Consolidated Statement of Operations is not necessarily indicative of what the actual results of operations would have been for the year ended December 31, 2004, nor does it purport to represent our future results of operations.

Inland Western Retail Real Estate Trust, Inc.
Pro Forma Consolidated Statement of Operations
For the year ended December 31, 2004 (unaudited)
(Amounts in thousands)

	Historical (A)	Pro Forma Adjustments (B)
Rental income	$ 106,425	19,929
Tenant recovery income	23,155	4,031
Other property income	825	-
Total income	130,405	23,960
General and administrative expenses	4,857	-
Advisor asset management fee (D)	-	-
Property operating expenses (G)	32,522	6,149
Depreciation and amortization (E)	47,973	9,904
Total expenses	85,352	16,053

Operating income	45,053	7,907
Other income	3,681	-
Interest expense (H)	(33,175)	(7,577)
Realized loss on sale of treasury contacts	(3,667)	-
Minority interests	398	-
Equity in earnings (losses) of unconsolidated entities	(589)	-
Net income (loss)	$ 11,701	330
Other comprehensive income:		
Unrealized gain/loss on investment securities	241	-
Comprehensive income (loss)	$ 11,942	330
Weighted average number of shares of common stock outstanding, basic and diluted (F)	98,563	
Net income (loss) per share, basic and diluted (F)	.12	

See accompanying notes to pro forma consolidated statement of operations.

Inland Western Retail Real Estate Trust, Inc.
Notes to Pro Forma Consolidated Statement of Operations
For the year ended December 31, 2004
(unaudited)

(A) The historical information represents the historical statement of operations of the Company for the period from January 1, 2004 to December 31, 2004 as filed with the Securities Exchange Commission on Form 10-K.

(B) Total pro forma adjustments for acquisitions consummated as of March 14, 2005 are as though the properties were acquired January 1, 2004.

	Gross Income & Direct Operating Expenses (1)	Pro Forma Adjustments
Rental income	$ 20,258	(329)
Tenant recovery income	4,031	-
Total income	24,289	(329)
Advisor asset management fee	-	-

Property operating expenses	5,071	1,078
Depreciation and amortization	-	9,904
Interest expense	-	7,577
Total expenses	5,071	18,559
Net income (loss)	$ 19,218	(18,888)

(1) Audited combined gross income and direct operating expenses as prepared in accordance with Rule 3-14 of Regulation S-X for the following properties:

Coram Plaza, Mesa Fiesta, Green's Corner, Newton Crossroads, Stilesboro Oaks, Pleasant Run Towne Crossing, Shoppes at Lake Andrew, Fairgrounds Plaza, Midtown Center, Trenton Crossing, Lakepointe Towne Center and Stateline Station.

As previously reported, an audit of Magnolia Square was going to be performed, however, no audit was required in accordance with Rule 3.14 of Regulation S-X.

Inland Western Retail Real Estate Trust, Inc.
Notes to Pro Forma Consolidated Statement of Operations
For the year ended December 31, 2004
(unaudited)

(C) Total pro forma adjustments for acquisitions consummated as of March 14, 2005 are as though the properties were acquired January 1, 2004. No pro forma adjustments were made for Eckerd - Greer, Eckerd - Kill Devil Hills, Eckerd - Columbia, Eckerd - Crossville, Kohl's - Wilshire Plaza III, Academy Sports - Houma, The Columns - Phase II, Academy Sports - Port Arthur, Academy Sports - Midland, Hobby Lobby - Concord, Stanley Works, Academy Sports - San Antonio or CVS Pharmacy - Jacksonville as the properties were completed in 2004 and there were no significant operations prior to the Company's acquisition. No pro forma adjustments were made related to the Pacheco Pass and Quakertown notes receivable as the properties were completed in 2004 and there were no significant operations prior to the Company's funding of the notes receivable.

	Gross Income & Direct Operating Expenses (1)	Pro Forma Adjustments
Rental income	$ 130,679	(2,797)
Tenant recovery income	23,090	-
Total revenues	153,769	(2,797)
Advisor asset management fee	-	-
Property operating expenses	31,779	6,702

Depreciation and amortization	-	68,789
Interest expense	-	49,203
Total expenses	31,779	124,694
Net income (loss)	$ 121,990	(127,491)

(1) Unaudited combined gross income and direct operating expenses from January 1, 2004 through the date of acquisition based on information provided by the Seller for the following properties:

CorWest Plaza, Hickory Ridge, Shoppes at Quarterfield, Larkspur Landing, North Ranch Pavilion, La Plaza Del Norte, MacArthur Crossing, Promenade at Red Cliff, Peoria Crossings, Dorman Center, Heritage Towne Crossing, Paradise Valley Marketplace, Best on the Boulevard, Bluebonnet Parc, North Rivers Town Center, Alison's Corner, Arvada Connection and Arvada Marketplace, Eastwood Town Center, Watauga Pavilion, Northpointe Plaza, Plaza Santa Fe II, Pine Ridge Plaza, Huebner Oaks Center, John's Creek Village, Lakewood Towne Center, Shoppes of Prominence Point, Northgate North, Davis Towne Crossing, Fullerton Metrocenter, Low Country Village, The Shops at Boardwalk, Shoppes of Dallas, Cranberry Square, Tollgate Marketplace, Gateway Village, Towson Circle, Gateway Plaza, Plaza at Marysville, Forks Town Center, Reisterstown Road Plaza, Village Shoppes at Simonton, Manchester Meadows, Governor's Marketplace, Mitchell Ranch Plaza, The Columns, Saucon Valley Square, Lincoln Park, Harvest Towne Center, Boulevard at the Capital Centre, Bed, Bath & Beyond Plaza, Denton Crossing, Azalea Square, Lake Mary Pointe, Plaza at Riverlakes, Gurnee Town Centre, Mansfield Towne Crossing, Winchester Commons, Publix Center (Shoppes at Park West), Fox Creek Village, Oswego Commons, University Town Center, Edgemont Town Center, Five Forks, Placentia Town Center, Gateway Station, Northwoods Center, Shops at Forest Commons, Gateway Pavilions, Henry Town Center, McAllen Shopping Center, 23rd Street Plaza, Southlake Town Square, Irmo Station, Evans Towne Centre, Cottage Plaza, Village at Quail Springs, Phenix Crossing, Magnolia Square, Holliday Towne Center, Southgate Plaza and High Ridge Crossing.

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Inland Western Retail Real Estate Trust, Inc.
Notes to Pro Forma Consolidated Statement of Operations
For the year ended December 31, 2004
(unaudited)

Gross rental income from January 1, 2004 through the date of acquisition based on information provided by tenant net leases for the following properties:

Eckerd - Greer, Eckerd - Kill Devil Hills, Eckerd - Columbia, Eckerd - Crossville, Kohl's - Wilshire Plaza III, Wal-Mart Supercenter - Blytheville, Wrangler Company Western Headquarters, Academy Sports - Houma, Wal-Mart Supercenter - Jonesboro, Harris Teeter - Wilmington, GMAC Insurance, Academy Sports - Port Arthur, CVS Pharmacy - Sylacauga, Academy Sports - Midland, Zurich Towers, the American Express portfolio, Maytag Distribution Center, Hobby Lobby - Concord, Stanley Works, Academy Sports - San Antonio, CVS Pharmacy - Jacksonville, and CarMax - San Antonio.

(D) The advisor asset management fee is expected to be subordinated to the shareholders' receipt of a stated return thus no amount is reflected.

(E) Buildings and improvements will be depreciated on a straight line basis based upon estimated useful lives of 30 years for building and improvements and 15 years for site improvements. That portion of the purchase price that is allocated to above or below lease intangibles will be amortized on a straight line basis over the life of the related leases as an adjustment to rental income. Other leasing costs, tenant improvements, in-place lease intangibles and customer relationship values will be amortized on a straight line basis over the life of the related leases as a component of amortization expense.

(F) The pro forma weighted average shares of common stock outstanding for the year ended December 31, 2004 was calculated using the additional shares sold to purchase each of the properties on a weighted average basis plus the 20,000 shares purchased by the Advisor in connection with our organization.

(G) Management fees are calculated as 4.5% of gross revenues pursuant to the management agreement and are included in property operating expenses.

(H) The pro forma adjustments relating to interest expense were based on the following debt terms:

	Principal Balance	Interes Rate
Academy Sports - Houma	2,920,000	
Academy Sports - Midland	2,338,000	
Academy Sports - Port Arthur	2,775,000	
Adademy Sports - San Antonio	3,933,000	
Alison's Corner	3,850,000	
American Express - Markham, Ontario	25,380,000	
American Express - Depere, WI	11,623,000	
American Express - 31st Avenue - Phoenix	31,860,000	
American Express - 19th Avenue - Phoenix	8,260,000	
American Express - Minneapolis	56,050,000	
American Express - Greensboro, NC	33,040,000	
American Express - Fort Lauderdale, FL	37,170,000	
American Express - Salt Lake City	28,320,000	
Arvada Marketplace and Arvada Connection	28,510,000	
Azalea Square	16,535,000	
Bed Bath & Beyond Plaza	11,193,000	
Best on the Boulevard	19,525,000	
Bluebonnet Parc	12,100,000	
Boulevard at the Capital Centre	71,500,000	

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Inland Western Retail Real Estate Trust, Inc.
Notes to Pro Forma Consolidated Statement of Operations
For the year ended December 31, 2004
(unaudited)

	Principal	Interes

	Balance	Rate
Cardiff Hall East	5,109,000	
Cottage Plaza	13,025,000	
Coram Plaza	20,755,000	
CorWest Plaza	18,150,000	
Cranberry Square	10,900,000	
CVS Pharmacy - Sylacauga	1,685,000	
Davis Towne Crossing	5,365,000	
Denton Crossing	35,200,000	
Dorman Center	27,610,000	
Eastwood Towne Center	46,750,000	
Eckerds Drug Stores (4)	6,800,000	
Edgemont Town Center	8,600,000	
Evans Towne Centre	5,005,000	
Fairgrounds Plaza	15,982,000	
Five Forks	4,483,000	
Forks Town Center	10,395,000	
Fox Creek Village	11,485,000	
Fullerton Metrocenter	28,050,000	
Gateway Pavilions	35,842,000	
Gateway Plaza	18,163,000	
Gateway Village (Note A)	27,233,000	LIBOR
Gateway Village (Note B)	4,225,000	LIBOR
GMAC Insurance	33,000,000	
Governor's Marketplace	20,625,000	
Green's Corner	7,022,000	
Gurnee Town Center	24,360,000	
Harris Teeter - Wilmington	3,960,000	
Harvest Towne Center	5,005,000	
Henry Town Center	35,815,000	
Heritage Towne Crossing	8,950,000	
Hickory Ridge	23,650,000	
Hobby Lobby - Concord	3,025,000	
Holliday Towne Center	8,050,000	
Huebner Oaks Center (Note A)	31,723,000	
Huebner Oaks Center (Note B)	16,277,000	
Irmo Station	7,085,000	
John's Creek Village	23,300,000	
Kohl's - Wilshire Plaza III	5,418,000	
La Plaza Del Norte	32,528,000	
Lake Mary Pointe	3,658,000	
Lakewood Towne Center (Note A)	44,000,000	
Lakewood Towne Center (Note B)	7,260,000	
Larkspur Landing	33,630,000	
Lincoln Park	26,153,000	
Low Country Village - Phase I	5,370,000	
Low Country Village - Phase II	5,440,000	
MacArthur Crossing	12,700,000	
Magnolia Square	10,265,000	
Manchester Meadows	31,065,000	

	Principal Balance	Interes Rate
Mansfield Towne Crossing	10,982,000	
Maytag Distribution Center	12,740,000	
McAllen Shopping Center	2,455,000	
Mesa Fiesta	23,500,000	
Midtown Center	28,228,000	
Mitchell Ranch Plaza	18,700,000	
Newnan Crossing II	2,223,000	
Newton Crossroads	5,548,000	
North Ranch Pavilion	10,157,000	
North Rivers Town Center	11,050,000	
Northhgate North	26,650,000	
Northpointe Plaza	30,850,000	
Northwoods Center	11,192,500	
Oswego Commons	19,262,000	
Paradise Valley Marketplace	15,681,000	
Peoria Crossings	20,497,000	
Pine Ridge Plaza	14,700,000	
Plaza at Marysville	11,800,000	
Plaza Santa Fe II	17,394,000	
Pleasant Run Towne Crossing	22,800,000	
Promenade at Red Cliff	10,590,000	
Publix Center	6,655,000	
Reisterstown Road Plaza	49,650,000	
Saucon Valley Square	8,851,000	
Shoppes at Lake Andrew	15,657,000	
Shoppes at Quarterfield	6,067,000	
Shoppes of Dallas	7,179,000	
Shoppes of Prominence Point	9,954,000	
Shops at Forest Commons	5,230,000	
Southlake Town Square	70,571,000	
Southlake Town Square II	10,429,000	
Stilesboro Oaks	6,592,000	
The Columns - Phase I	11,423,000	
The Columns - Phase II	3,442,000	
The Shops at Boardwalk	20,150,000	
Tollgate Marketplace	39,765,000	LIBO
Towson Circle (Note A)	15,647,500	
Towson Circle (Note B)	3,550,000	LIBOR
Trenton Crossing	19,307,000	
University Town Center	5,810,000	
Village at Quail Springs	5,740,000	
Village Shoppes at Simonton	7,562,000	
Wal-Mart Supercenter - Blytheville	7,100,000	
Wal-Mart Supercenter - Jonesboro	6,088,500	
Watauga Pavilion	17,100,000	
Winchester Commons	7,235,000	
Wrangler Company Western Headquarters	11,300,000	
Zurich Towers	81,420,000	

INDEPENDENT AUDITORS' REPORT

The Board of Directors

Inland Western Retail Real Estate Trust, Inc.

We have audited the accompanying Historical Summary of Gross Income and Direct Operating Expenses ("Historical Summary") of Henry Town Center ("the Property") for the year ended December 31, 2003. This Historical Summary is the responsibility of the management of Inland Western Retail Real Estate Trust, Inc. Our responsibility is to express an opinion on the Historical Summary based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Historical Summary is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Property's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Historical Summary. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Historical Summary. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Historical Summary was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and for inclusion in Form 8-K/A of Inland Western Retail Real Estate Trust, Inc., as described in note 2. It is not intended to be a complete presentation of the Property's revenues and expenses.

In our opinion, the Historical Summary referred to above presents fairly, in all material respects, the gross income and direct operating expenses described in note 2 of Henry Town Center for the year ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Chicago, Illinois
February 3, 2005

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HENRY TOWN CENTER
Historical Summary of Gross Income and Direct Operating Expenses
For the year ended December 31, 2003 and the nine months ended
September 30, 2004 (unaudited)

	FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004
	(unaudited)
Gross income:	
Base rental income	$ 3,540,928
Operating expense and real estate tax recoveries	915,538

Total gross income		4,456,466
Direct operating expenses:		
Operating expenses		331,664
Insurance		78,557
Real estate taxes		514,565
Interest expense		1,486,640
Total direct operating expenses		2,411,426
Excess of gross income over direct operating expenses	$	2,045,040

See accompanying notes to historical summary of gross income and direct operating expenses.

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HENRY TOWN CENTER
Notes to Historical Summary of Gross Income and Direct Operating Expenses
For the year ended December 31, 2003 and the nine months ended
September 30, 2004 (unaudited)

(1) Business

Henry Town Center ("the Property") is located in McDonough, GA. The Property consists of approximately 380,942 square feet of gross leasable area and was approximately 100% occupied at December 31, 2003. The Property is leased to a total of 42 tenants and has two ground leases. Of these, one tenant accounts for approximately 22% of base rental revenue for the year ended December 31, 2003. On December 23, 2004, Inland Western Retail Real Estate Trust, Inc. ("IWRRETI") acquired the Property from an unaffiliated third party.

(2) Basis of Presentation

The Historical Summary of Gross Income and Direct Operating Expenses ("Historical Summary") has been prepared for the purpose of complying with Rule 3-14 of the Securities and Exchange Commission Regulation S-X and for inclusion in Form 8-K/A of IWRRETI and is not intended to be a complete presentation of the Property's revenues and expenses. The Historical Summary has been prepared on the accrual basis of accounting and requires management of the Property to make estimates and assumptions that affect the reported amounts of the revenues and expenses during the reporting period. Actual results may differ from those estimates.

All adjustments necessary for a fair presentation have been made to the accompanying unaudited amounts for the nine months ended September 30, 2004.

(3) Gross Income

The Property leases retail space under various lease agreements with its tenants. All leases are accounted for as operating leases. The leases include provisions under which the Property is reimbursed for common area, real estate tax, and insurance costs. Revenue related to these reimbursed costs is recognized in the period the applicable costs are incurred and billed to tenants pursuant to the lease agreements. Certain leases contain renewal options at various periods at various rental rates. Certain of the leases contain provision for contingent rentals. Recognition of contingent rental income is deferred until the target that triggers the contingent rental income is achieved. No contingent rent was earned during the year ended December 31, 2003.

The Property has two ground leases that are classified as operating leases with terms extending through 2012 and 2022. Total ground lease income was $301,228 and is included in base rental income in the accompanying Historical Summary for the year ended December 31, 2003.

Although certain leases may provide for tenant occupancy during periods for which no rent is due and/or increases exist in minimum lease payments over the term of the lease, rental income accrues for the full period of occupancy on a straight-line basis. Related adjustments increased base rental income by $79,576 for the year ended December 31, 2003.

HENRY TOWN CENTER
Notes to Historical Summary of Gross Income and Direct Operating Expenses
For the year ended December 31, 2003 and the nine months ended
September 30, 2004 (unaudited)

Minimum rents to be received from tenants under operating leases, which terms range from one to 19 years, as of December 31, 2003, are as follows:

YEAR	
2004	$ 4,649,668
2005	4,633,825
2006	4,580,016
2007	4,405,775
2008	3,484,283
Thereafter	26,367,048
	$ 48,120,615

(4) Direct Operating Expenses

Direct operating expenses include only those costs expected to be comparable to the proposed future operations of the Property. Repairs and maintenance expenses are charged to operations as incurred. Costs such as depreciation, amortization, management fees, and professional fees are excluded from the Historical Summary.

(5) Interest Expense

IWRRETI assumed a $35,814,616 mortgage loan secured by the Property in connection with the acquisition. This mortgage loan had an original balance of $36,000,000, and was paid down by an additional $185,384 in 2004 prior to IWRRETI assuming the loan. The mortgage loan bears a fixed interest rate of 5.42%, payable in monthly installments of principal and interest, and matures on January 11, 2013.

Minimum annual principal payments under the terms of the mortgage debt are as follows:

YEAR	
2004	$ -
2005	475,022
2006	501,793
2007	530,073
2008	554,578
Thereafter	33,753,150
	$ 35,814,616

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Inland Western Retail Real Estate Trust, Inc.

We have audited the accompanying Combined Historical Summary of Gross Income and Direct Operating Expenses ("Combined Historical Summary") of the Properties acquired from Ceruzzi Holdings for the year ended December 31, 2004. This Combined Historical Summary is the responsibility of the management of Inland Western Retail Real Estate Trust, Inc. Our responsibility is to express an opinion on the Combined Historical Summary based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Combined Historical Summary is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Properties' internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Combined Historical Summary. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Combined Historical Summary. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Combined Historical Summary was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and for inclusion in Form 8-K/A of Inland Western Retail Real Estate Trust, Inc., as described in note 2. It is not intended to be a complete presentation of the Properties' revenues and expenses.

In our opinion, the Combined Historical Summary referred to above presents fairly, in all material respects, the gross income and direct operating expenses described in note 2 of the Properties acquired from Ceruzzi Holdings for the year ended December 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Chicago, Illinois
January 22, 2005

PROPERTIES ACQUIRED FROM CERUZZI HOLDINGS
Combined Historical Summary of Gross Income and Direct Operating Expenses
For the year ended December 31, 2004

	FOR THE YEAR ENDED DECEMBER 31, 2004
Gross income:	
Base rental income	$ 4,295,301
Operating expense and real estate tax recoveries	444,729
Total gross income	4,740,030
Direct operating expenses:	
Operating expenses	393,558
Insurance	31,380
Real estate taxes	207,147
Interest expense	931,059
Total direct operating expenses	1,563,144
Excess of gross income over direct operating expenses	$ 3,176,886

See accompanying notes to combined historical summary of gross income and direct operating expenses.

PROPERTIES ACQUIRED FROM CERUZZI HOLDINGS
Notes to Combined Historical Summary of Gross Income and Direct Operating Expenses For the year ended December 31, 2004

(1) Business

The Properties Acquired from Ceruzzi Holdings consist of:

Name	Gross Leasable Area	Location	Occupanc December 3
Coram Plaza	141,780	Coram, NY	92%
Fairgrounds Plaza	Ground lease	Middletown, NY	

The Properties are leased to a total of 22 tenants and has one ground lease. Of these, one tenant and the ground lease account for 79% of base rental revenue for the year ended December 31, 2004. On December 23, 2004 and January 5, 2005, respectively, Inland Western Retail Real Estate Trust, Inc. ("IWRRETI") acquired Coram Plaza and Fairgrounds Plaza from Ceruzzi Holdings, an unaffiliated third party. The Combined Historical Summary for the year ended December 31, 2004 includes gross income and direct operating expenses for a full year, including the period for which IWRRETI owned Coram Plaza.

(2) Basis of Presentation

The Combined Historical Summary of Gross Income and Direct Operating Expenses ("Combined Historical Summary") has been prepared for the purpose of complying with Rule 3-14 of the Securities and Exchange Commission Regulation S-X and for inclusion in Form 8-K/A of IWRRETI and is not intended to be a complete presentation of the Properties' revenues and expenses. The Combined Historical Summary has been prepared on the accrual basis of accounting and requires management of the Properties to make estimates and assumptions that affect the reported amounts of the revenues and expenses during the reporting period. Actual results may differ from those estimates. The Combined Historical Summary is presented on a combined basis since the Properties were acquired from the same seller.

(3) Gross Income

The Properties lease retail space under various lease agreements with its tenants. All leases are accounted for as operating leases. The leases include provisions under which the Properties are reimbursed for common area, real estate tax, and insurance costs. Revenue related to these reimbursed costs is recognized in the period the applicable costs are incurred and billed to tenants pursuant to the lease agreements. Certain leases contain renewal options at various periods at various rental rates. Certain of the leases contain provision for contingent rentals.

The Properties have one ground lease that is classified as an operating lease with terms extending through January 31, 2028. Total ground lease income was $1,769,970 and is included in base rental income in the accompanying Combined Historical Summary for the year ended December 31, 2004.

Although certain leases may provide for tenant occupancy during periods for which no rent is due and/or increases exist in minimum lease payments over the term of the lease, rental income accrues for the full period of occupancy on a straight-line basis. Related adjustments increased base rental income by $929,878 for the year ended December 31, 2004.

PROPERTIES ACQUIRED FROM CERUZZI HOLDINGS
Notes to Combined Historical Summary of Gross Income and Direct Operating Expenses For the year ended December 31, 2004

Minimum rents to be received from tenants under operating leases, which terms range from one to 35 years, as of December 31 2004, are as follows:

YEAR

2005	$ 4,233,364
2006	4,142,951
2007	4,048,334
2008	3,948,586
2009	3,971,733
Thereafter	65,540,843
	$ 85,885,811

(4) Direct Operating Expenses

Direct operating expenses include only those costs expected to be comparable to the proposed future operations of the Properties. Repairs and maintenance expenses are charged to operations as incurred. Costs such as depreciation, amortization, management fees, interest expense related to mortgage debt not assumed, and professional fees are excluded from the Combined Historical Summary.

(5) Interest Expense

IWRRETI assumed a $15,982,376 mortgage loan secured by Fairgrounds Plaza in connection with the acquisition. This mortgage loan had an original balance of $16,375,000, and was paid down by an additional $16,547 in 2005 prior to IWRRETI assuming the loan. The mortgage loan bears a fixed interest rate of 5.69%, payable in monthly installments of principal and interest, and matures on February 1, 2033.

Minimum annual principal payments under the terms of the mortgage debt are as follows:

YEAR	
2005	$ 205,564
2006	235,268
2007	249,206
2008	261,451
2009	279,457
Thereafter	14,751,430
	$ 15,982,376

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Inland Western Retail Real Estate Trust, Inc.

We have audited the accompanying Combined Historical Summary of Gross Income and Direct Operating Expenses ("Combined Historical Summary") of the Properties acquired from FFI American Market Fund, L.P. ("the Properties") for the year ended December 31, 2004. This Combined Historical Summary is the responsibility of the management of Inland Western Retail Real Estate Trust, Inc. Our responsibility is to express an opinion on the Combined Historical Summary based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Combined Historical Summary is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Properties' internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Combined Historical Summary. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Combined Historical Summary. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Combined Historical Summary was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and for inclusion in Form 8-K/A of Inland Western Retail Real Estate Trust, Inc., as described in note 2. It is not intended to be a complete presentation of the Properties' revenues and expenses.

In our opinion, the Combined Historical Summary referred to above presents fairly, in all material respects, the gross income and direct operating expenses described in note 2 of the Properties acquired from FFI American Market Fund, L.P. for the year ended December 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Atlanta, Georgia
March 2, 2005

PROPERTIES ACQUIRED FROM FFI AMERICAN MARKET FUND, L.P.
Combined Historical Summary of Gross Income and Direct Operating Expenses
For the year ended December 31, 2004

	FOR THE YEAR ENDED DECEMBER 31, 2004
Gross income:	
Base rental income	$ 2,567,103
Operating expense and real estate tax recoveries	549,895
Total gross income	3,116,998
Direct operating expenses:	
Operating expenses	336,187

Insurance		179,097
Real estate taxes		43,656
Total direct operating expenses		558,940
Excess of gross income over direct operating expenses	$	2,558,058

See accompanying notes to combined historical summary of gross income and direct operating expenses.

THE PROPERTIES ACQUIRED FROM FFI AMERICAN MARKET FUND, L.P.
Notes to Combined Historical Summary of Gross Income
and Direct Operating Expenses
For the year ended December 31, 2004

(1) Business

The Properties acquired from FFI American Market Fund, L.P. ("the Properties") consist of the following:

Name	Gross Leasable Area	Location	Occupancy at December 31, 2004
Green's Corner	82,792	Cumming, GA	100%
Newton Crossroads	78,896	Covington, GA	100%
Stilesboro Oaks	80,772	Acworth, GA	100%

The Properties are leased to a total of 36 tenants and has one ground lease. Of these, one tenant, that occupies space in each of the three properties, accounts for approximately 56% of base rental revenue for the year ended December 31, 2004. On December 29, 2004, Inland Western Retail Real Estate Trust, Inc. ("IWRRETI") acquired the Properties from FFI American Market Fund, L.P., an unaffiliated third party. The Combined Historical Summary for the year ended December 31, 2004 includes gross income and direct operating expenses for a full year, including the period for which IWRRETI owned the Properties.

(2) Basis of Presentation

The Combined Historical Summary of Gross Income and Direct Operating Expenses ("Combined Historical Summary") has been prepared for the purpose of complying with Rule 3-14 of the Securities and Exchange Commission Regulation S-X and for inclusion in Form 8-K/A of IWRRETI and is not intended to be a complete presentation of the Properties' revenues and expenses. The Combined Historical Summary has been prepared on the accrual basis of accounting and requires management of the Properties to make estimates and assumptions that affect the reported amounts of the revenues and expenses during the reporting period. Actual results may differ from those estimates. The Combined Historical Summary is presented on a combined basis since the Properties were acquired from the same seller.

(3) Gross Income

The Properties lease retail space under various lease agreements with its tenants. All leases are accounted for as operating leases. The leases include provisions under which the Properties are reimbursed for common area, real estate tax, and insurance costs. Revenue related to these reimbursed costs is recognized in the period the applicable costs are incurred and billed to tenants pursuant to the lease agreements. Certain leases contain renewal options at various periods at various rental rates. Certain of the leases contain provision for contingent rentals. Recognition of contingent rental income is deferred until the target that triggers the contingent rental income is achieved. No contingent rent was earned during the year ended December 31, 2004.

The Properties have one ground lease that is classified as an operating lease with terms extending through July 15, 2017. Total ground lease income was $51,106 and is included in base rental income in the accompanying Combined Historical Summary for the year ended December 31, 2004.

Although certain leases may provide for tenant occupancy during periods for which no rent is due and/or increases exist in minimum lease payments over the term of the lease, rental income accrues for the full period of occupancy on a straight-line basis. Related adjustments increased base rental income by $19,354 for the year ended December 31, 2004.

PROPERTIES ACQUIRED FROM FFI AMERICAN MARKET FUND, L.P.
Notes to Combined Historical Summary of Gross Income and
Direct Operating Expenses
For the year ended December 31, 2004

Minimum rents to be received from tenants under operating leases, which terms range from one to 18 years, as of December 31 2004, are as follows:

YEAR	
2005	$ 2,596,907
2006	2,434,256
2007	2,157,007
2008	1,758,671
2009	1,620,053
Thereafter	14,439,590
	$ 25,006,484

(4) Direct Operating Expenses

Direct operating expenses include only those costs expected to be comparable to the proposed future operations of the Properties. Repairs and maintenance expenses are charged to operations as incurred. Costs such as depreciation, amortization, management fees, interest expense related to mortgage debt not assumed, and professional fees are excluded from the Combined Historical Summary.

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Inland Western Retail Real Estate Trust, Inc.

We have audited the accompanying Historical Summary of Gross Income and Direct Operating Expenses ("Historical Summary") of Shoppes at Lake Andrew ("the Property") for the year ended December 31, 2004. This Historical Summary is the responsibility of the management of Inland Western Retail Real Estate Trust, Inc. Our responsibility is to express an opinion on the Historical Summary based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Historical Summary is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Property's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Historical Summary. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Historical Summary. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Historical Summary was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and for inclusion in Form 8-K/A of Inland Western Retail Real Estate Trust, Inc., as described in note 2. It is not intended to be a complete presentation of the Property's revenues and expenses.

In our opinion, the Historical Summary referred to above presents fairly, in all material respects, the gross income and direct operating expenses described in note 2 of Shoppes at Lake Andrew for the year ended December 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Chicago, Illinois
January 26, 2005

SHOPPES AT LAKE ANDREW
Historical Summary of Gross Income and Direct Operating Expenses
For the year ended December 31, 2004

	FOR THE YEAR ENDED DECEMBER 31, 2004
Gross income:	
Base rental income	$ 1,907,240

Operating expense and real estate tax recoveries		385,623
Total gross income		2,292,863
Direct operating expenses:		
Operating expenses		138,198
Insurance		47,877
Real estate taxes		227,361
Total direct operating expenses		413,436
Excess of gross income over direct operating expenses	$	1,879,427

See accompanying notes to historical summary of gross income and direct operating expenses.

SHOPPES AT LAKE ANDREW
Notes to Historical Summary of Gross Income and Direct Operating Expenses
For the year ended December 31, 2004

(1) Business

Shoppes at Lake Andrew ("the Property") is located in Melbourne, FL. The Property consists of approximately 144,752 square feet of gross leasable area and was approximately 100% occupied at December 31, 2004. The Property is leased to a total of 18 tenants, of which five tenants account for approximately 65% of base rental revenue for the year ended December 31, 2004. On December 28, 2004, Inland Western Retail Real Estate Trust, Inc. ("IWRRETI") acquired the Property from an unaffiliated third party. The Historical Summary for the year ended December 31, 2004 includes gross income and direct operating expenses for a full year, including the period for which IWRRETI owned the Property.

(2) Basis of Presentation

The Historical Summary of Gross Income and Direct Operating Expenses ("Historical Summary") has been prepared for the purpose of complying with Rule 3-14 of the Securities and Exchange Commission Regulation S-X and for inclusion in Form 8-K/A of IWRRETI and is not intended to be a complete presentation of the Property's revenues and expenses. The Historical Summary has been prepared on the accrual basis of accounting and requires management of the Property to make estimates and assumptions that affect the reported amounts of the revenues and expenses during the reporting period. Actual results may differ from those estimates.

(3) Gross Income

The Property leases retail space under various lease agreements with its tenants. All leases are accounted for as operating leases. The leases include provisions under which the Property is reimbursed for common area, real estate tax, and insurance costs. Revenue related to these reimbursed costs is recognized in the period the applicable costs are incurred and billed to tenants pursuant to the lease agreements. Certain leases contain renewal options at various periods at various rental rates. Certain of the leases contain provision for contingent rentals. Recognition of contingent rental income is deferred until the target that triggers the contingent rental income is achieved. No contingent rent was earned during the year ended December 31, 2004.

Although certain leases may provide for tenant occupancy during periods for which no rent is due and/or increases exist in minimum lease payments over the term of the lease, rental income accrues for the full period of occupancy on a straight-line basis. Related adjustments increased base rental income by $46,547 for the year ended December 31, 2004.

SHOPPES AT LAKE ANDREW
Notes to Historical Summary of Gross Income and Direct Operating Expenses
For the year ended December 31, 2004

Minimum rents to be received from tenants under operating leases, which terms range from one to 12 years, as of December 31 2004, are as follows:

YEAR	
2005	$ 2,033,910
2006	2,036,159
2007	2,040,439
2008	2,010,768
2009	1,735,132
Thereafter	6,987,372
	$ 16,843,780

(4) Direct Operating Expenses

Direct operating expenses include only those costs expected to be comparable to the proposed future operations of the Property. Repairs and maintenance expenses are charged to operations as incurred. Costs such as depreciation, amortization, management fees, interest expense related to mortgage debt not assumed, and professional fees are excluded from the Historical Summary.

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Inland Western Retail Real Estate Trust, Inc.

We have audited the accompanying Historical Summary of Gross Income and Direct Operating Expenses ("Historical Summary") of Mesa Fiesta ("the Property") for the year ended December 31, 2004. This Historical Summary is the responsibility of the management of Inland Western Retail Real Estate Trust, Inc. Our responsibility is to express an opinion on the Historical Summary based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Historical Summary is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Property's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Historical Summary. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Historical Summary. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Historical Summary was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and for inclusion in Form 8-K/A of Inland Western Retail Real Estate Trust, Inc., as described in note 2. It is not intended to be a complete presentation of the Property's revenues and expenses.

In our opinion, the Historical Summary referred to above presents fairly, in all material respects, the gross income and direct operating expenses described in note 2 of Mesa Fiesta for the year ended December 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Atlanta, Georgia
March 2, 2005

MESA FIESTA
Historical Summary of Gross Income and Direct Operating Expenses
For the year ended December 31, 2004

	FOR THE YEAR ENDED DECEMBER 31, 2004
Gross income:	
Base rental income	$ 2,491,382
Operating expense and real estate tax recoveries	525,213
Total gross income	3,016,595
Direct operating expenses:	
Operating expenses	132,419
Insurance	74,524
Real estate taxes	320,061
Total direct operating expenses	527,004

Excess of gross income over direct operating expenses	$ 2,489,591

See accompanying notes to historical summary of gross income and direct operating expenses.

MESA FIESTA
Notes to the Historical Summary of Gross Income and Direct Operating Expenses
For the year ended December 31, 2004

(1) Business

Mesa Fiesta ("the Property") is located in Mesa, Arizona. The Property consists of approximately 194,892 square feet of gross leasable area and was approximately 100% occupied at December 31, 2004. The Property is leased to a total of 8 tenants, of which 3 tenants account for approximately 57% of base rental revenue for the year ended December 31, 2004. On December 28, 2004, Inland Western Retail Real Estate Trust, Inc. ("IWRRETI") acquired the Property from an unaffiliated third party. The Historical Summary for the year ended December 31, 2004 includes gross income and direct operating expenses for a full year, including the period for which IWRRETI owned the Property.

(2) Basis of Presentation

The Historical Summary of Gross Income and Direct Operating Expenses ("Historical Summary") has been prepared for the purpose of complying with Rule 3-14 of the Securities and Exchange Commission Regulation S-X and for inclusion in Form 8-K/A of IWRRETI and is not intended to be a complete presentation of the Property's revenues and expenses. The Historical Summary has been prepared on the accrual basis of accounting and requires management of the Property to make estimates and assumptions that affect the reported amounts of the revenues and expenses during the reporting period. Actual results may differ from those estimates.

(3) Gross Income

The Property leases retail space under various lease agreements with its tenants. All leases are accounted for as operating leases. The leases include provisions under which the Property is reimbursed for common area, real estate tax, and insurance costs. Revenue related to these reimbursed costs is recognized in the period the applicable costs are incurred and billed to tenants pursuant to the lease agreements. Certain leases contain renewal options at various periods at various rental rates. Certain of the leases contain provision for contingent rentals. Recognition of contingent rental income is deferred until the target that triggers the contingent rental income is achieved. No contingent rent was earned during the year ended December 31, 2004.

Although certain leases may provide for tenant occupancy during periods for which no rent is due and/or increases exist in minimum lease payments over the term of the lease, rental income accrues for the full period of occupancy on a straight-line basis. Related adjustments decreased base rental income by $25,314 for the year ended December 31, 2004.

MESA FIESTA
Notes to the Historical Summary of Gross Income and Direct Operating Expenses

For the year ended December 31, 2004

Minimum rents to be received from tenants under operating leases, which terms range from three to six years, as of December 31 2004, are as follows:

YEAR	
2005	$ 2,700,054
2006	2,717,769
2007	2,658,117
2008	2,646,222
2009	1,289,448
Thereafter	48,038
	$ 12,059,648

(4) Direct Operating Expenses

Direct operating expenses include only those costs expected to be comparable to the proposed future operations of the Property. Repairs and maintenance expenses are charged to operations as incurred. Costs such as depreciation, amortization, management fees, interest expense related to mortgage debt not assumed, and professional fees are excluded from the Historical Summary.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Inland Western Retail Real Estate Trust, Inc.

We have audited the accompanying Historical Summary of Gross Income and Direct Operating Expenses ("Historical Summary") of Midtown Center ("the Property") for the year ended December 31, 2004. This Historical Summary is the responsibility of the management of Inland Western Retail Real Estate Trust, Inc. Our responsibility is to express an opinion on the Historical Summary based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Historical Summary is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Property's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Historical Summary. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Historical Summary. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Historical Summary was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and for inclusion in Form 8-K/A of Inland Western Retail Real Estate Trust, Inc., as described in note 2. It is not intended to be a complete presentation of the Property's revenues and expenses.

In our opinion, the Historical Summary referred to above presents fairly, in all material respects, the gross income and direct operating expenses described in note 2 of Midtown Center for the year ended December 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Chicago, Illinois
February 19, 2005

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MIDTOWN CENTER
Historical Summary of Gross Income and Direct Operating Expenses
For the year ended December 31, 2004

	FOR THE YEAR ENDED DECEMBER 31, 2004
Gross income:	
Base rental income	$ 2,984,727
Operating expense and real estate tax recoveries	673,088
Contingent rent	70,071
Other income	6,525
Total gross income	3,734,411
Direct operating expenses:	
Operating expenses	436,819
Insurance	21,483
Real estate taxes	353,680
Total direct operating expenses	811,982
Excess of gross income over direct operating expenses	$ 2,922,429

See accompanying notes to historical summary of gross income and direct operating expenses.

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MIDTOWN CENTER
Notes to Historical Summary of Gross Income and Direct Operating Expenses
For the year ended December 31, 2004

(1) Business

Midtown Center ("the Property") is located in Milwaukee, Wisconsin. The Property consists of approximately 319,108 square feet of gross leasable area and was approximately 98% occupied at December 31, 2004. The Property is leased to a total of 24 tenants, of which two tenants account for approximately 62% of base rental revenue for the year ended December 31, 2004. Inland Western Retail Real Estate Trust, Inc. ("IWRRETI") purchased the Property on January 10, 2005, from an unaffiliated third party.

(2) Basis of Presentation

The Historical Summary of Gross Income and Direct Operating Expenses ("Historical Summary") has been prepared for the purpose of complying with Rule 3-14 of the Securities and Exchange Commission Regulation S-X and for inclusion in Form 8-K/A of IWRRETI and is not intended to be a complete presentation of the Property's revenues and expenses. The Historical Summary has been prepared on the accrual basis of accounting and requires management of the Property to make estimates and assumptions that affect the reported amounts of the revenues and expenses during the reporting period. Actual results may differ from those estimates.

(3) Gross Income

The Property leases retail space under various lease agreements with its tenants. All leases are accounted for as operating leases. The leases include provisions under which the Property is reimbursed for common area, real estate tax, and insurance costs. Revenue related to these reimbursed costs is recognized in the period the applicable costs are incurred and billed to tenants pursuant to the lease agreements. Certain leases contain renewal options at various periods at various rental rates. Certain of the leases contain provision for contingent rentals. Recognition of contingent rental income is deferred until the target that triggers the contingent rental income is achieved. Contingent rent of $70,071 was earned during the year ended December 31, 2004.

Although certain leases may provide for tenant occupancy during periods for which no rent is due and/or increases exist in minimum lease payments over the term of the lease, rental income accrues for the full period of occupancy on a straight-line basis. Related adjustments increased base rental income by $135,609 for the year ended December 31, 2004.

Minimum rents to be received from tenants under operating leases, which terms range from five to 20 years, as of December 31 2004, are as follows:

YEAR		
2005	$	3,408,623
2006		3,417,970
2007		3,391,311
2008		3,256,084
2009		3,106,530
Thereafter		30,495,875

	$ 47,076,393

(4) Direct Operating Expenses

Direct operating expenses include only those costs expected to be comparable to the proposed future operations of the Property. Repairs and maintenance expenses are charged to operations as incurred. Costs such as depreciation, amortization, management fees, interest expense related to mortgage debt not assumed, and professional fees are excluded from the Historical Summary.

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Inland Western Retail Real Estate Trust, Inc.

We have audited the accompanying Historical Summary of Gross Income and Direct Operating Expenses ("Historical Summary") of Trenton Crossing ("the Property") for the year ended December 31, 2004. This Historical Summary is the responsibility of the management of Inland Western Retail Real Estate Trust, Inc. Our responsibility is to express an opinion on the Historical Summary based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Historical Summary is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Property's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Historical Summary. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Historical Summary. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Historical Summary was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and for inclusion in Form 8-K/A of Inland Western Retail Real Estate Trust, Inc., as described in note 2. It is not intended to be a complete presentation of the Property's revenues and expenses.

In our opinion, the Historical Summary referred to above presents fairly, in all material respects, the gross income and direct operating expenses described in note 2 of Trenton Crossing for the year ended December 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Chicago, Illinois
February 1, 2005

TRENTON CROSSING
Historical Summary of Gross Income and Direct Operating Expenses
For the year ended December 31, 2004

	FOR THE YEAR ENDED DECEMBER 31, 2004
Gross income:	
Base rental income	$ 1,700,789
Operating expense and real estate tax recoveries	334,703
Total gross income	2,035,492
Direct operating expenses:	
Operating expenses	140,992
Insurance	55,393
Real estate taxes	294,395
Total direct operating expenses	490,780
Excess of gross income over direct operating expenses	$ 1,544,712

See accompanying notes to historical summary of gross income and direct operating expenses.

TRENTON CROSSING
Notes to Historical Summary of Gross Income and Direct Operating Expenses
For the year ended December 31, 2004

(1) Business

Trenton Crossing ("the Property") is located in McAllen, TX. The Property consists of approximately 225,560 square feet of gross leasable area and was approximately 86% occupied at December 31, 2004. The Property is leased to a total of 18 tenants, of which four tenants account for approximately 67% of base rental revenue for the year ended December 31, 2004. On February 10, 2005, Inland Western Retail Real Estate Trust, Inc. ("IWRRETI") acquired the Property from an unaffiliated third party.

(2) Basis of Presentation

The Historical Summary of Gross Income and Direct Operating Expenses ("Historical Summary") has been prepared for the purpose of complying with Rule 3-14 of the Securities and Exchange Commission Regulation S-X and for inclusion in Form 8-K/A of IWRRETI and is not intended to be a complete presentation of the Property's revenues and expenses. The Historical Summary has been prepared on the accrual basis of accounting and requires management of the Property to make estimates and assumptions that affect the reported amounts of the revenues and expenses during the reporting period. Actual results may differ from those estimates.

(3) Gross Income

The Property leases retail space under various lease agreements with its tenants. All leases are accounted for as operating leases. The leases include provisions under which the Property is reimbursed for common area, real estate tax, and insurance costs. Revenue related to these reimbursed costs is recognized in the period the applicable costs are incurred and billed to tenants pursuant to the lease agreements. Certain leases contain renewal options at various periods at various rental rates. Certain of the leases contain provision for contingent rentals. Recognition of contingent rental income is deferred until the target that triggers the contingent rental income is achieved. No contingent rent was earned during the year ended December 31, 2004.

Although certain leases may provide for tenant occupancy during periods for which no rent is due and/or increases exist in minimum lease payments over the term of the lease, rental income accrues for the full period of occupancy on a straight-line basis. Related adjustments increased base rental income by $68,184 for the year ended December 31, 2004.

TRENTON CROSSING
Notes to Historical Summary of Gross Income and Direct Operating Expenses
For the year ended December 31, 2004

Minimum rents to be received from tenants under operating leases, which terms range from one to 10 years, as of December 31 2004, are as follows:

YEAR	
2005	$ 2,180,569
2006	2,199,706
2007	2,191,491
2008	2,159,838
2009	1,704,403
Thereafter	8,910,041
	$ 19,346,048

(4) Direct Operating Expenses

Direct operating expenses include only those costs expected to be comparable to the proposed future operations of the Property. Repairs and maintenance expenses are charged to operations as incurred. Costs such as depreciation, amortization, management fees, interest expense related to mortgage debt not assumed, and professional fees are excluded from the Historical Summary.

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Inland Western Retail Real Estate Trust, Inc.

We have audited the accompanying Combined Historical Summary of Gross Income and Direct Operating Expenses ("Combined Historical Summary") of the Properties acquired from Weber & Company for the year ended December 31, 2004. This Combined Historical Summary is the responsibility of the management of Inland Western Retail Real Estate Trust, Inc. Our responsibility is to express an opinion on the Combined Historical Summary based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Combined Historical Summary is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Properties' internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Combined Historical Summary. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Combined Historical Summary. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Combined Historical Summary was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and for inclusion in Form 8-K/A of Inland Western Retail Real Estate Trust, Inc., as described in note 2. It is not intended to be a complete presentation of the Properties' revenues and expenses.

In our opinion, the Combined Historical Summary referred to above presents fairly, in all material respects, the gross income and direct operating expenses described in note 2 of the Properties acquired from Weber & Company for the year ended December 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Chicago, Illinois
February 26, 2005

PROPERTIES ACQUIRED FROM WEBER & COMPANY
Combined Historical Summary of Gross Income and Direct Operating Expenses
For the year ended December 31, 2004

	FOR THE YEAR ENDED DECEMBER 31, 2004
Gross income:	
Base rental income	$ 3,213,870

Operating expense and real estate tax recoveries	747,932
Contingent rent	9,934
Total gross income	3,971,736
Direct operating expenses:	
Operating expenses	350,520
Insurance	116,888
Real estate taxes	785,759
Total direct operating expenses	1,253,167
Excess of gross income over direct operating expenses	$ 2,718,569

See accompanying notes to combined historical summary of gross income and direct operating expenses.

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PROPERTIES ACQUIRED FROM WEBER & COMPANY
Notes to Combined Historical Summary of Gross Income and Direct Operating Expenses For the year ended December 31, 2004

(1) Business

The Properties acquired from Weber & Company consist of:

Name	Gross Leasable Area	Location	Occupancy at December 31, 2004
Lakepointe Towne Crossing	193,503	Lewisville, TX	69%
Pleasant Run Towne Crossing	205,230	Cedar Hill, TX	88%

The Properties are leased to a total of 30 tenants and has three ground leases. Of these, eight tenants account for 65% of base rental revenue for the year ended December 31, 2004. On December 30, 2004, Inland Western Retail Real Estate Trust, Inc. ("IWRRETI") acquired Pleasant Run Towne Crossing from Weber & Company, an unaffiliated third party. IWRRETI is expected to close on the acquisition of Lakepointe Towne Crossing in the second quarter of 2005. The Combined Historical Summary for the year ended December 31, 2004 includes gross income and direct operating expenses for a full year, including the period for which IWRRETI owned Pleasant Run Towne Crossing.

(2) Basis of Presentation

The Combined Historical Summary of Gross Income and Direct Operating Expenses ("Combined Historical Summary") has been prepared for the purpose of complying with Rule 3-14 of the Securities and Exchange Commission Regulation S-X and for inclusion in Form 8-K/A of IWRRETI and is not intended to be a complete presentation of the Properties' revenues and expenses. The Combined Historical Summary has been prepared on the accrual basis of accounting and requires management of the Properties to make estimates and assumptions that affect the reported amounts of the revenues and expenses during the reporting period. Actual results may differ from those estimates. The Combined Historical Summary is presented on a combined basis since the Properties were acquired from the same seller.

(3) Gross Income

The Properties lease retail space under various lease agreements with its tenants. All leases are accounted for as operating leases. The leases include provisions under which the Properties are reimbursed for common area, real estate tax, and insurance costs. Revenue related to these reimbursed costs is recognized in the period the applicable costs are incurred and billed to tenants pursuant to the lease agreements. Certain leases contain renewal options at various periods at various rental rates. Certain of the leases contain provision for contingent rentals. Recognition of contingent rental income is deferred until the target that triggers the contingent rental income is achieved. Contingent rent of $9,934 was earned the year ended December 31, 2004.

The Properties have three ground leases that are classified as operating leases with terms extending through May 31, 2024. Total ground lease income was $147,177 and included in base rental income in the accompanying Combined Historical Summary of the year ended December 31, 2004.

Although certain leases may provide for tenant occupancy during periods for which no rent is due and/or increases exist in minimum lease payments over the term of the lease, rental income accrues for the full period of occupancy on a straight-line basis. Related adjustments increased base rental income by $310,065 for the year ended December 31, 2004.

Minimum rents to be received from tenants under operating leases, which terms range from two to 20 years, as of December 31, 2004, are as follows:

YEAR	
2005	$ 4,979,148
2006	5,046,516
2007	5,046,516
2008	4,967,816
2009	4,456,005
Thereafter	27,846,203
	$ 52,342,204

(4) Direct Operating Expenses

Direct operating expenses include only those costs expected to be comparable to the proposed future operations of the Properties. Repairs and maintenance expenses are charged to operations as incurred. Costs such as depreciation, amortization, management fees, interest expense related to mortgage debt not assumed, and professional fees are excluded from the Combined Historical Summary.

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Inland Western Retail Real Estate Trust, Inc.

We have audited the accompanying Historical Summary of Gross Income and Direct Operating Expenses ("Historical Summary") of Stateline Station ("the Property") for the year ended December 31, 2004. This Historical Summary is the responsibility of the management of Inland Western Retail Real Estate Trust, Inc. Our responsibility is to express an opinion on the Historical Summary based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Historical Summary is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Property's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Historical Summary. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Historical Summary. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Historical Summary was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and for inclusion in the Post-Effective Amendment No. 8 to the Registration Statement on Form S-11 of Inland Western Retail Real Estate Trust, Inc., as described in note 2. It is not intended to be a complete presentation of the Property's revenues and expenses.

In our opinion, the Historical Summary referred to above presents fairly, in all material respects, the gross income and direct operating expenses described in note 2 of Stateline Station for the year ended December 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Chicago, Illinois
February 26, 2005

STATELINE STATION
Historical Summary of Gross Income and Direct Operating Expenses
For the year ended December 31, 2004

	FOR THE YEAR ENDED DECEMBER 31, 2004
Gross income:	
Base rental income	$ 1,220,522
Operating expense and real estate tax recoveries	304,637
Total gross income	1,525,159
Direct operating expenses:	
Operating expenses	172,550
Insurance	40,220
Real estate taxes	197,006
Total direct operating expenses	409,776
Excess of gross income over direct operating expenses	$ 1,115,383

See accompanying notes to historical summary of gross income and direct operating expenses.

STATELINE STATION
Notes to Historical Summary of Gross Income and Direct Operating Expenses
For the year ended December 31, 2004

(1) Business

Stateline Station ("the Property") is located in Kansas City, MO. The Property consists of approximately 132,152 square feet of gross leasable area and was approximately 76% occupied at December 31, 2004. The Property is leased to a total of 16 tenants, of which four tenants account for approximately 76% of base rental revenue for the year ended December 31, 2004. On March 8, 2005, Inland Western Retail Real Estate Trust, Inc. ("IWRRETI") acquired the Property from an unaffiliated third party.

(2) Basis of Presentation

The Historical Summary of Gross Income and Direct Operating Expenses ("Historical Summary") has been prepared for the purpose of complying with Rule 3-14 of the Securities and Exchange Commission Regulation S-X and for inclusion in the Post-Effective Amendment No. 8 to the Registration Statement on Form S-11 of IWRRETI and is not intended to be a complete presentation of the Property's revenues and expenses. The Historical Summary has been prepared on the accrual basis of accounting and requires management of the Property to make estimates and assumptions that affect the reported amounts of the revenues and expenses during the reporting period. Actual results may differ from those estimates.

(3) Gross Income

The Property leases retail space under various lease agreements with its tenants. All leases are accounted for as operating leases. The leases include provisions under which the Property is reimbursed for common area, real estate, and insurance costs. Revenue related to these reimbursed costs is recognized in the period the applicable costs are incurred and billed to tenants pursuant to the lease agreements. Certain leases contain renewal options at various periods at various rental rates. Certain of the leases contain provision for contingent rentals. Recognition of contingent rental income is deferred until the target that triggers the contingent rental income is achieved. No contingent rent was earned during the year ended December 31, 2004.

Although certain leases may provide for tenant occupancy during periods for which no rent is due and/or increases exist in minimum lease payments over the term of the lease, rental income accrues for the full period of occupancy on a straight-line basis. Related adjustments increased base rental income by $30,917 for the year ended December 31, 2004.

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STATELINE STATION
Notes to Historical Summary of Gross Income and Direct Operating Expenses
For the year ended December 31, 2004

Minimum rents to be received from tenants under operating leases, which terms range from one to 11 years, as of December 31 2004, are as follows:

YEAR	
2005	$ 2,003,064
2006	2,027,680
2007	2,029,623
2008	2,037,394
2009	1,877,860
Thereafter	7,725,391
	$ 17,701,012

(4) Direct Operating Expenses

Direct operating expenses include only those costs expected to be comparable to the proposed future operations of the Property. Repairs and maintenance expenses are charged to operations as incurred. Costs such as depreciation, amortization, management fees, interest expense related to mortgage debt not assumed, and professional fees are excluded from the Historical Summary.

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MCALLEN SHOPPING CENTER
Historical Summary of Gross Income and Direct Operating Expenses
For the year ended December 31, 2004 (unaudited)

For the year ended
December 31 2004

		(unaudited)
Gross income:		
Base rental income	$	332,768
Operating expense and real estate tax recoveries		38,226
Total gross income		370,994
Direct operating expenses:		
Operating expenses		22,627
Real estate taxes		37,784
Insurance		21,110
Total direct operating expenses		64,009
Excess of gross income over direct operating expenses	$	286,421

See accompanying notes to historical summary of gross income and direct operating expense.

MCALLEN SHOPPING CENTER
Historical Summary of Gross Income and Direct Operating Expenses
For the year ended December 31, 2004
(unaudited)

1. Basis of Presentation

The Historical Summary of Gross Income and Direct Operating Expenses for the year ended December 31, 2004 has been prepared from the operating statements provided by the owners of the property during that period and requires management of McAllen Shopping Center to make estimates and assumptions that affect the amounts of the revenues and expense during that period. Actual results may differ from those estimates.

All adjustments necessary for a fair presentation have been made to the accompanying unaudited amounts for the year ended December 31, 2004.

23RD STREET PLAZA
Historical Summary of Gross Income and Direct Operating Expenses
For the year ended December 31, 2004 (unaudited)

	For the year ended December 31 2004
	(unaudited)
Gross income:	

Base rental income	$ 510,380
Operating expense and real estate tax recoveries	49,298
Total gross income	370,994
Direct operating expenses:	
Operating expenses	8,968
Real estate taxes	59,455
Insurance	2,228
Total direct operating expenses	70,651
Excess of gross income over direct operating expenses	$ 489,027

See accompanying notes to historical summary of gross income and direct operating expense.

23RD STREET PLAZA
Historical Summary of Gross Income and Direct Operating Expenses
For the year ended December 31, 2004
(unaudited)

1. Basis of Presentation

The Historical Summary of Gross Income and Direct Operating Expenses for the year ended December 31, 2004 has been prepared from the operating statements provided by the owners of the property during that period and requires management of 23rd Street Plaza to make estimates and assumptions that affect the amounts of the revenues and expense during that period. Actual results may differ from those estimates.

All adjustments necessary for a fair presentation have been made to the accompanying unaudited amounts for the year ended December 31, 2004.

PHENIX CROSSING
Historical Summary of Gross Income and Direct Operating Expenses
For the period from July 1, 2004 (commencement of operations)
through December 31, 2004 (unaudited)

	For the period from July 1, 2004 (commencement of operations) through December 31 2004 (unaudited)
Gross income:	

Base rental income	$ 298,203
Operating expense and real estate tax recoveries	40,844
Total gross income	339,047
Direct operating expenses:	
Operating expenses	45,019
Real estate taxes	26,419
Insurance	7,154
Total direct operating expenses	78,592
Excess of gross income over direct operating expenses	$ 260,455

See accompanying notes to historical summary of gross income and direct operating expense.

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PHENIX CROSSING
Historical Summary of Gross Income and Direct Operating Expenses
For the period from July 1, 2004 (commencement of operations)
through December 31, 2004 (unaudited)

1. Basis of Presentation

The Historical Summary of Gross Income and Direct Operating Expenses for the period from July 1, 2004 (commencement of operations) to December 31, 2004 has been prepared from the operating statements provided by the owners of the property during that period and requires management of Phenix Crossing to make estimates and assumptions that affect the amounts of the revenues and expense during that period. Actual results may differ from those estimates.

All adjustments necessary for a fair presentation have been made to the accompanying unaudited amounts for the period from July 1, 2004 (commencement of operations) to December 31, 2004.

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MAGNOLIA SQUARE
Historical Summary of Gross Income and Direct Operating Expenses
For the period from February 1, 2004 (commencement of operations)
through December 31, 2004 (unaudited)

	For the period from February 1, 2004 (commencement of operations) through December 31 2004
	(unaudited)

Gross income:	
Base rental income	$ 703,210
Operating expense and real estate tax recoveries	106,846
Total gross income	810,056
Direct operating expenses:	
Operating expenses	55,965
Real estate taxes	39,505
Insurance	9,876
Total direct operating expenses	105,346
Excess of gross income over direct operating expenses	$ 704,710

See accompanying notes to historical summary of gross income and direct operating expense.

MAGNOLIA SQUARE
Historical Summary of Gross Income and Direct Operating Expenses
For the period from February 1, 2004 (commencement of operations)
through December 31, 2004 (unaudited)

1. Basis of Presentation

The Historical Summary of Gross Income and Direct Operating Expenses for the period from February 1, 2004 (commencement of operations) to December 31, 2004 has been prepared from the operating statements provided by the owners of the property during that period and requires management of Magnolia Square to make estimates and assumptions that affect the amounts of the revenues and expense during that period. Actual results may differ from those estimates.

All adjustments necessary for a fair presentation have been made to the accompanying unaudited amounts for the period from February 1, 2004 (commencement of operations) to December 31, 2004.

COTTAGE PLAZA
Historical Summary of Gross Income and Direct Operating Expenses
For the period from November 1, 2004 (commencement of operations)
through December 31, 2004 (unaudited)

	For the period from November 1, 2004 (commencement of operations) through December 31 2004
	(unaudited)

Gross income:	
Base rental income	$ 196,247
Operating expense and real estate tax recoveries	10,821
Total gross income	207,068
Direct operating expenses:	
Operating expenses	13,398
Real estate taxes	27,217
Insurance	3,227
Total direct operating expenses	43,842
Excess of gross income over direct operating expenses	$ 163,226

See accompanying notes to historical summary of gross income and direct operating expense.

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COTTAGE PLAZA
Historical Summary of Gross Income and Direct Operating Expenses
For the period from November 1, 2004 (commencement of operations)
through December 31, 2004 (unaudited)

1. Basis of Presentation

The Historical Summary of Gross Income and Direct Operating Expenses for the period from November 1, 2004 (commencement of operations) to December 31, 2004 has been prepared from the operating statements provided by the owners of the property during that period and requires management of Cottage Plaza to make estimates and assumptions that affect the amounts of the revenues and expense during that period. Actual results may differ from those estimates.

All adjustments necessary for a fair presentation have been made to the accompanying unaudited amounts for the period from November 1, 2004 (commencement of operations) to December 31, 2004.

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VILLAGE AT QUAIL SPRINGS
Historical Summary of Gross Income and Direct Operating Expenses
For the year ended December 31, 2004 (unaudited)

	For the year ended December 31 2004 (unaudited)
Gross income:	
Base rental income	$ 522,678

Operating expense and real estate tax recoveries	80,998
Total gross income	603,676
Direct operating expenses:	
Operating expenses	84,533
Real estate taxes	22,611
Insurance	44,546
Total direct operating expenses	151,690
Excess of gross income over direct operating expenses	$ 451,986

See accompanying notes to historical summary of gross income and direct operating expense.

VILLAGE AT QUAIL SPRINGS
Historical Summary of Gross Income and Direct Operating Expenses
For the year ended December 31, 2004
(unaudited)

1. Basis of Presentation

The Historical Summary of Gross Income and Direct Operating Expenses for the year ended December 31, 2004 has been prepared from the operating statements provided by the owners of the property during that period and requires management of Village at Quail Springs to make estimates and assumptions that affect the amounts of the revenues and expense during that period. Actual results may differ from those estimates.

All adjustments necessary for a fair presentation have been made to the accompanying unaudited amounts for the year ended December 31, 2004.

HOLLIDAY TOWNE CENTER
Historical Summary of Gross Income and Direct Operating Expenses
For the year ended December 31, 2004 (unaudited)

	For the year ended December 31 2004 (unaudited)
Gross income:	
Base rental income	$ 997,591
Operating expense and real estate tax recoveries	166,812
Total gross income	1,164,403

Direct operating expenses:		
Operating expenses		153,699
Real estate taxes		81,949
Insurance		28,475
Total direct operating expenses		264,123
Excess of gross income over direct operating expenses	$	900,280

See accompanying notes to historical summary of gross income and direct operating expense.

HOLLIDAY TOWNE CENTER
Historical Summary of Gross Income and Direct Operating Expenses
For the year ended December 31, 2004
(unaudited)

1. Basis of Presentation

The Historical Summary of Gross Income and Direct Operating Expenses for the year ended December 31, 2004 has been prepared from the operating statements provided by the owners of the property during that period and requires management of Holliday Towne Center to make estimates and assumptions that affect the amounts of the revenues and expense during that period. Actual results may differ from those estimates.

All adjustments necessary for a fair presentation have been made to the accompanying unaudited amounts for the year ended December 31, 2004.

HIGH RIDGE CROSSING
Historical Summary of Gross Income and Direct Operating Expenses
For the period from May 17, 2004 (commencement of operations)
through December 31, 2004 (unaudited)

		For the period from May 17, 2004 (commencement of operations) through December 31 2004 (unaudited)
Gross income:		
Base rental income	$	347,416
Operating expense and real estate tax recoveries		126,501
Total gross income		473,917

Direct operating expenses:		
Operating expenses		106,893
Real estate taxes		56,962
Insurance		4,813
Total direct operating expenses		168,668
Excess of gross income over direct operating expenses	$	305,249

See accompanying notes to historical summary of gross income and direct operating expense.

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HIGH RIDGE CROSSING
Historical Summary of Gross Income and Direct Operating Expenses
For the period from May 17, 2004 (commencement of operations)
to December 31, 2004 (unaudited)

1. Basis of Presentation

The Historical Summary of Gross Income and Direct Operating Expenses for the period from May 17, 2004 (commencement of operations) to December 31, 2004 has been prepared from the operating statements provided by the owners of the property during that period and requires management of High Ridge Crossing to make estimates and assumptions that affect the amounts of the revenues and expense during that period. Actual results may differ from those estimates.

All adjustments necessary for a fair presentation have been made to the accompanying unaudited amounts for the period from May 17, 2004 (commencement of operations) to December 31, 2004.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

[INLAND WESTERN RETAIL REAL ESTATE TRUST, INC. LOGO]

PROSPECTUS
270,000,000 shares of common stock

$10.00 per share: Minimum Initial Purchase - 300 shares (100 shares for Tax-Exempt Entities)

We are a real estate investment trust or a REIT. We were formed in 2003 to acquire and manage properties which are located primarily in states west of the Mississippi River. As of December 7, 2004, we owned 91 properties which have an aggregate gross leasable area of approximately 16.1 million square feet. No public market currently exists for our shares of common stock and our shares cannot be readily sold.

We are offering 250,000,000 shares to investors who meet our suitability standards; and up to 20,000,000 shares to participants in our reinvestment plan (at $9.50 per share). The common stock will be issued in book entry form only.

The managing dealer of the offering, Inland Securities Corporation, is our affiliate. The managing dealer is not required to sell any specific number or dollar amount of shares but will use its best efforts to sell 250,000,000 of our shares. Your subscription payments will be placed in an escrow account held by the escrow agent, LaSalle Bank National Association, and will be held in trust for your benefit, pending release to us. Subscription proceeds are expected to be released to us as subscriptions are accepted. This offering will end no later than December [.], 2005, unless we elect to extend it to a date no later than December [.], 2006 in states that permit us to make this extension.

INVESTING IN OUR COMPANY INVOLVES A HIGH DEGREE OF RISK. SEE "RISK FACTORS" BEGINNING ON PAGE 12 FOR A DISCUSSION OF THE MATERIAL RISK FACTORS WHICH SHOULD BE CONSIDERED IN CONNECTION WITH YOUR INVESTMENT IN OUR COMMON STOCK. THESE RISKS INCLUDE:

- our common stock is not currently listed or traded on an exchange and cannot be readily sold (and sales by stockholders may be made at a loss);
- we have no ownership in our business manager/advisor and the business manager/advisor is owned by our sponsor or their affiliates;
- our business manager/advisor and its affiliates will receive substantial fees, including participation in proceeds from the sale, refinancing or liquidation of our assets
- our business manager/advisor, property managers and two of our directors are subject to conflicts of interest as a result of their affiliation with The Inland Group;
- there are limits on ownersh redemption of shares;
- risks that the incentive st to our business manager/adv may encourage our business investments that have great higher fees; and
- although we anticipate that will not exceed 55% of the value of our properties, ou limitation on our borrowing net assets and there are ri high amount of leverage.

The use of forecasts in this offering is prohibited. Any representations to the contrary and any predictions, written or oral, as to the amount or certainty of any present or future cash benefit or tax consequence which may flow from an investment in this program is not permitted. Any stockholder loss of capital will be limited to the amount of their investment. You should purchase these securities only if you can afford a complete loss of your investment.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	Max. Offering
Public offering price, primary shares (1)...............	$ 10.00	$ $2,500,000,000
Public offering price, distribution reinvestment program	$ 9.50	$ 190,000,000
Selling commissions (1)................................	$ 1.05	$ 262,500,000
Proceeds, before expenses, to us.......................	$ 8.95	$ 2,427,500,000

(1) The selling commission only applies to sales of primary shares and is

composed of a 7.5% selling commission (7.0% of which is reallowable), 2.5% marketing allowance and .5% due diligence expense allowance.

The date of this Prospectus is [-], 2004.

FOR RESIDENTS OF MICHIGAN ONLY:

A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE DEPARTMENT OF CONSUMER & INDUSTRY SERVICES, MICHIGAN OFFICE OF FINANCIAL AND INSURANCE SERVICES. THE DEPARTMENT HAS NOT UNDERTAKEN TO PASS UPON THE VALUE OF THESE SECURITIES NOR TO MAKE ANY RECOMMENDATIONS AS TO THEIR PURCHASE.

THE USE OF THIS PROSPECTUS IS CONDITIONED UPON ITS CONTAINING ALL MATERIAL FACTS AND THAT ALL STATEMENTS CONTAINED THEREIN ARE TRUE AND CAN BE SUBSTANTIATED. THE DEPARTMENT HAS NOT PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS.

NO BROKER-DEALER, SALESMAN, AGENT OR ANY OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THE OFFERING HEREBY MADE OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS OR EFFECTIVE LITERATURE.

THIS IS A BEST EFFORTS OFFERING, AND WE RESERVE THE RIGHT TO ACCEPT OR REJECT ANY SUBSCRIPTION AND WILL PROMPTLY NOTIFY THE SUBSCRIBER OF ACCEPTANCE OR REJECTION. THERE IS NO ASSURANCE THAT THIS OFFERING WILL ALL BE SOLD. THERE ARE NO ASSURANCES AS TO WHAT SIZE WE MAY REACH.

THERE IS NO ASSURANCE THAT OUR OPERATIONS WILL BE PROFITABLE OR THAT LOSSES WILL NOT OCCUR.

IT IS NOT OUR POLICY TO REDEEM OUR STOCK (EXCEPT AS PROVIDED IN THIS OFFERING).

ANY REPRESENTATIONS CONTRARY TO ANY OF THE FOREGOING SHOULD BE REPORTED FORTHWITH TO THE OFFICE OF FINANCIAL AND INSURANCE SERVICE AT 611 West Ottawa Street, 2nd Floor Ottawa Building, P.O. Box 30701, Lansing, MI 48909-8201, or Telephone (877) 999-6442.

WHO MAY INVEST

In order to purchase shares, you must:

- Meet the financial suitability standards, and

- Purchase a minimum number of shares.

SUITABILITY STANDARDS

Because an investment in our common stock is risky and is a long-term investment, it is suitable for you only if you have adequate financial means, you have no immediate need for liquidity in your investment and you can bear the complete loss of your investment.

We have established financial suitability standards for investors who purchase shares of our common stock. In addition, residents of some states must meet higher suitability standards under state law. These standards require you to meet the applicable criteria below. In determining your net worth, do not include your home, home furnishings or your automobile. INVESTORS WITH INVESTMENT DISCRETION

OVER ASSETS OF AN EMPLOYEE BENEFIT PLAN COVERED BY ERISA SHOULD CAREFULLY REVIEW THE INFORMATION IN THE SECTION ENTITLED, "ERISA CONSIDERATIONS."

GENERAL STANDARDS FOR ALL INVESTORS

- Minimum net worth of at least $150,000; or

- Minimum annual gross income of at least $45,000 and net worth of at least $45,000.

Standards for Maine Residents

- Minimum net worth of $200,000, or

- Minimum annual gross income of $50,000 and a minimum net worth of $50,000.

Standards for Arizona, California, Iowa, Massachusetts, Michigan, Missouri, Oregon or Tennessee Residents

- Minimum net worth of $225,000, or

- Minimum annual gross income of $60,000 and a minimum net worth of $60,000.

Standards for Kansas, Missouri, Ohio and Pennsylvania Residents

- In addition to meeting the general standards for all investors, your investment may not exceed 10% of your liquid net worth.

In the case of sales to fiduciary accounts, these minimum standards must be met by the beneficiary, the fiduciary account, or by the donor or grantor who directly or indirectly supplies the funds to purchase the common stock if the donor or the grantor is the fiduciary. INVESTORS WITH INVESTMENT DISCRETION OVER ASSETS OF AN EMPLOYEE BENEFIT PLAN COVERED UNDER ERISA SHOULD CAREFULLY REVIEW THE INFORMATION ENTITLED "ERISA CONSIDERATIONS."

In the case of gifts to minors, the suitability standards must be met by the custodian account or by the donor.

MINIMUM PURCHASE

Subject to the restrictions imposed by state law, we will sell shares of our common stock only to investors who initially purchase a minimum of 300 shares of common stock for a total purchase price of $3,000, or tax-exempt entities which purchase a minimum of 100 shares of common stock for a total purchase price of $1,000. For investors living in Iowa, the minimum investment for IRAs will be 300 shares of common stock for a total purchase price of $3,000, and for investors living in Minnesota, the minimum investment for IRAs and qualified plan accounts will be 200 shares of common stock for a total purchase price of $2,000. Tax-exempt entities are generally any investor that is exempt from federal income taxation, including:

- a pension, profit-sharing, retirement, IRA or other employee benefit plan which satisfies the requirements for qualification under Section 401(a), 414(d) or 414(e) of the Internal Revenue Code;

- a pension, profit-sharing, retirement, IRA or other employee benefit plan which meets the requirements of Section 457 of the Internal Revenue Code;

- trusts that are otherwise exempt under Section 501(a) of the Internal Revenue Code;

- a voluntary employees' beneficiary association under Section 501(c)(9) of the Internal Revenue Code; or

- an IRA which meets the requirements of Section 408 of the Internal Revenue Code.

The term "plan" includes plans subject to Title I of ERISA, other employee benefit plans and IRAs subject to the prohibited transaction provisions of Section 4975 of the Internal Revenue Code, governmental or church plans that are exempt from ERISA and Section 4975 of the Internal Revenue Code, but that may be subject to state law requirements, or other employee benefit plans.

Subject to any restrictions imposed by state law, subsequent additional investments by current investors require a minimum investment of $25. This limitation does not apply to the purchase of shares through the dividend reinvestment provision.

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TABLE OF CONTENTS

PROSPECTUS SUMMARY

This summary highlights all of the material information in this prospectus. Because this is a summary, it does not contain all the information that may be important to you. You should read this entire prospectus and its appendices carefully before you decide to invest in our shares of common stock.

INLAND WESTERN RETAIL REAL ESTATE TRUST, INC.

We are a Maryland corporation formed in March 2003 and we operate as a real estate investment trust, or a REIT, for federal and state income tax purposes. Our company owns all of our assets, either directly or indirectly.

Our principal executive offices are located at 2901 Butterfield Road, Oak Brook, Illinois 60523 and our telephone number is (630) 218-8000.

THE TYPES OF REAL ESTATE THAT WE MAY ACQUIRE AND MANAGE

Our business manager/advisor is experienced in acquiring and managing real estate, particularly retail focused shopping centers. We acquire and manage a diversified (by geographical location and by type and size of retail centers) portfolio of real estate primarily improved for use as retail establishments, principally multi-tenant shopping centers. Our portfolio does and will consist predominantly of grocery and discount store anchored retail, including net lease retail. We may acquire certain mixed use properties that may include lodging, office and/or multi-family residential if they are part of a retail center. And, we may also acquire other types of retail shopping centers, such as enclosed malls, outlet malls and power centers. We also anticipate acquiring real estate improved with other commercial facilities which provide goods and services as well as double or triple net leased properties, which are either commercial or retail, including properties acquired in sale and leaseback transactions. A triple-net leased property is one which is leased to a tenant who is responsible for the base rent and all costs and expenses associated with their occupancy, including property taxes, insurance, repairs and maintenance.

The geographic focus of our portfolio continues to be western U.S. markets; yet, at the present time, we believe that properties available for sale east of the Mississippi River are offering more favorable investment returns. Our objective continues to be to acquire quality properties primarily for income as distinguished from primarily for capital gain. As a result, many of our recently acquired properties and properties that we currently have under contract for purchase are located in eastern U.S. markets. However, over the long-term, we expect the portfolio to consist of properties located primarily west of the Mississippi River. Where feasible, we will endeavor to acquire multiple properties within the same major metropolitan markets where the acquisitions result in efficient property management operations with the potential to achieve market dominance. As a result, we may have clusters of properties east of the Mississippi.

We do not intend to invest in real estate properties that are primarily:

- farms;
- health care facilities;
- industrial properties;
- leisure home sites;
- manufacturing facilities;
- mining properties;
- ranches;
- single-family residential properties;

- timberlands; or
- unimproved properties not intended to be developed (vacant land).

Subject to compliance with the applicable requirements under the federal income tax laws, we may also undertake construction and development activities and render services in connection with such activities.

OUR SPONSOR, OUR BUSINESS MANAGER/ADVISOR AND THE INLAND GROUP

Our sponsor is Inland Real Estate Investment Corporation, which is owned by The Inland Group, Inc. The Inland Group, together with its subsidiaries and affiliates, is a fully-integrated group of legally and financially separate companies that have been engaged in diverse facets of real estate for over 35 years providing property management, leasing, marketing, acquisition, disposition, development, redevelopment, syndication, renovation, construction, finance and other related services. Inland Western Retail Real Estate Advisory Services, Inc., is a wholly owned subsidiary of our sponsor and is our business manager/advisor. Inland Securities Corporation, another affiliate of The Inland Group, is the managing dealer of this offering. Inland US Management LLC, Inland Southwest Management LLC and Inland Pacific Management LLC, our property managers, are entities owned principally by individuals who are affiliates of The Inland Group. The principal executive offices of The Inland Group, our sponsor, and our business manager/advisor are located at 2901 Butterfield Road, Oak Brook, Illinois 60523 and their telephone number is (630) 218-8000. The principal executive offices of our property managers are located at 2907 Butterfield Road, Oak Brook, Illinois 60523 and their telephone number is (630) 218-8000.

The following organizational chart depicts the services that affiliates or our sponsor will render to us and our organizational structure.

The following organizational chart depicts the services that affiliates of our sponsor will render to us and our organizational structure.

ORGANIZATIONAL CHART

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               ------------------            ---------           ---------           ---------
               Daniel L. Goodwin*            Robert H.           G. Joseph           Robert D.
                                               Baum*              Cosenza*            Parks*

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  Inland      Inland      Inland      Inland
Northwest   Southwest    Western     Pacific                                                 ----
Management  Management  Management  Management                                               THE
  Corp.       Corp.       Corp.       Corp.                                                  ----
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           Inland Holdco Management LLC              The Inland Services          Inland Real
                                                         Group, Inc.     Estate Investment Corpor
                                                                                 (our sponsor)
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Inland US     Inland Southwest     Inland Pacific             ||                               ||
Management        Property            Property         ---------------                         ||
   LLC           Management          Management        Inland Risk and                         ||
(property           LLC                 LLC               Insurance                            ||
 manager)        (property           (property            Management                           ||
                  manager)            manager)          Services, Inc.                         ||
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         |                  |          Corporation    Estate Advisory Services, Inc.   Property S
         |                  |                         (our business manager/advisor)    Corporati
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         |            ------------     |                |    -----------  Inland Real  --------
         |              Insurance      |                |    Inland Real    Estate         Inla
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         |              Services       |                 |      Estate      Development        Es
         |            ------------     |                 |    Sales, Inc.   Corporation  Acquisit
         |                  |          |                 |    -----------   -----------  --------
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         |                  |          |                 |   --------------      |
         |                  |          |                 |    Real Estate        |
-----------------------     |          |                 |   Sales Services      |
Property Management and     |          |                 |   --------------      |
    Related Services        |          |                 |         |             |
-----------------------     |          |                 |         |             |
         |                  |          |                 |         |             |
         |                  |          |                 |         |             |
         |                  | ----------------  -----------------  |     ----------------     ---
         |                  | Securities Sales    Organization,    |     Construction and      Pr
         |                  |                   Advisory and Real  |        Development       Acq
         |                  |                    Estate Services   |         Services          Se
         |                  | ----------------  -----------------  |     ----------------     ---
         |                  |          |                 |         |             |
         |                  |          |                 |         |             |
         |                  |          |                 |         |             |
-------------------------------------------------------------------------------------------------
                                           Inland Western Retail Real Estate Trust, Inc.
                We are principally owned by public investors. Ownership is represented by shares
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Solid lines indicate 100% ownership. Broken lines indicate service.

* The four indicated individuals control The Inland Group, Inc. and own substantially all of its stock.

Investment in shares of our common stock involves risks. If we are unable to effectively manage the impact of these risks, we may not meet our investment objectives and, therefore, you may lose some or all of your investment. The following is a summary of the material risks which we believe are most relevant to an investment in the shares. These risks are generally listed in the order of priority.

- our common stock is not currently listed or traded on an exchange and cannot be readily sold (and sales by stockholders may be made at a loss);

- although we anticipate that aggregate borrowings will not exceed 55% of the combined fair market value of our properties, our charter imposes a limitation on our borrowings of less than 300% of net assets and there are risks associated with a high amount of leverage;

- we have no ownership in our business manager/advisor and the business manager/advisor is owned by our sponsor or their affiliates;

- our business manager/advisor and its affiliates will receive substantial fees, including participation in proceeds from the sale, refinancing or liquidation of our assets;

- our business manager/advisor, property managers and two of our directors are subject to conflicts of interest as a result of their affiliation with The Inland Group, including conflicts of interest relating to:

  - the negotiation of the terms of the advisor and property management agreements;
  - the allocation of their time between us and their other business ventures;
  - decisions whether to acquire and dispose of properties;
  - the purchase and sale of properties to or from the business manager/advisor and our affiliates; and
  - the allocation of investment opportunities between us and their other business ventures.

- we may make distributions that include a return of principal for federal tax purposes;

- there are limits on ownership, transferability and redemption of shares;

- our investment policies and strategies may be changed without stockholder consent;

- our investments will lack geographic diversification; and

- risks that incentive structure of fees payable to our business manager/advisor and its affiliates may encourage our business manager/advisor to make investments that have greater risks to generate higher fees.

CONFLICTS OF INTEREST

CONFLICTS OF INTEREST EXIST BETWEEN US AND SOME OF OUR AFFILIATES, INCLUDING OUR BUSINESS MANAGER/ADVISOR. THESE AFFILIATES INCLUDE INLAND REAL ESTATE CORPORATION, INLAND RETAIL REAL ESTATE TRUST, INC. AND INLAND REAL ESTATE EXCHANGE CORPORATION. INLAND REAL ESTATE CORPORATION IS A PUBLICLY TRADED REIT THAT IS SELF-ADMINISTERED AND IS NO LONGER AFFILIATED WITH THE INLAND GROUP. INLAND REAL ESTATE CORPORATION PURCHASES SHOPPING CENTERS LOCATED IN THE MIDWEST. INLAND RETAIL REAL ESTATE TRUST, INC. IS AFFILIATED WITH THE INLAND GROUP. INLAND RETAIL REAL ESTATE TRUST, INC. GENERALLY PURCHASES SHOPPING CENTERS LOCATED EAST OF THE MISSISSIPPI RIVER. INLAND REAL

ESTATE EXCHANGE CORPORATION IS A SUBSIDIARY OF INLAND REAL ESTATE INVESTMENT CORPORATION. INLAND REAL ESTATE EXCHANGE CORPORATION PROVIDES REPLACEMENT PROPERTIES FOR PEOPLE WISHING TO COMPLETE AN IRS SECTION 1031 REAL ESTATE EXCHANGE. Midwest Real Estate Equities, Inc. is not a subsidiary of The Inland Group, Inc or its affiliates but does have some of the same shareholders as The Inland Group, Inc. Midwest Real Estate Equities buys, manages and sells commercial and multi-family property.

Some of these conflicts include:

- competition for the time and services of personnel that work for us and our affiliates, including such persons as Daniel L. Goodwin, Robert H. Baum, G. Joseph Cosenza, Robert D. Parks, Thomas P. McGuinness, Roberta S. Matlin and Brenda G. Gujral, which may limit the amount of time these people may spend on our business matters;

- substantial compensation payable by us to Inland Securities Corporation, Inland Western Retail Real Estate Advisory Services, Inc., Inland US Management LLC, Inland Southwest Management LLC and Inland Pacific Management LLC for their various services which may not be on market terms and is payable, in most cases, whether or not our stockholders receive distributions;

- competition for properties, although our affiliates are governed by the Property Acquisition Service Agreement which, with certain limitations, gives us a right of first refusal for certain properties west of the Mississippi River; and

- the possibility that we may do business with entities that have pre-existing relationships with our affiliates which may result in a conflict between our business and the ongoing business relationships our affiliates have with each other.

Conflicts of interest may also arise in connection with the potential sale or refinancing of our properties or the enforcement of agreements.

We have an option to acquire or consolidate into us the business conducted by our business manager/advisor and/or our property managers for shares of common stock.

COMPENSATION TO BE PAID TO OUR BUSINESS MANAGER/ADVISOR AND AFFILIATES

We pay our business manager/advisor and affiliates substantial fees for managing our business.

We will also pay the business manager/advisor and other affiliates of our sponsor a number of other fees for services or expense reimbursements during our offering, operational and liquidation stage.

Set forth below is a tabular summary of fees and compensation payable to our business manager/advisor and other affiliates.

Type of Compensation

Nonsubordinated payments:

Offering stage:

Selling commissions	7.5% of the sale price for each share Estimated maximum: $187,500,000. Through September 30, 2004, we have incurred $135,587,028 in selling commissions in connection with our initial public offering. In our initial public offering, we intend to sell 250,000,000 shares of our common stock at $10.00 per share.
Marketing allowance and due diligence expense allowance	2.5% of the gross offering proceeds for marketing allowance and 0.5% of the gross offering proceeds for due diligence expense allowance. Through September 30, 2004, we have incurred $16,811,558 in marketing allowance and due diligence expense allowance in connection with our initial public offering. The actual amount of marketing allowance and due diligence expense allowance in connection with this

	offering will depend on the number of shares sold. If there are no special sales, and we sell the maximum number of shares offered, approximately $75,000,000 will be paid for the marketing allowance and the due diligence expense allowance.
Reimbursable expenses and other expenses of issuance	Estimated amount: $14,684,000. Through September 30, 2004, we have incurred $969,524 of reimbursable expenses to our business manager/advisor in connection with our initial public offering. In addition, in connection with our initial public offering, as of December 31, 2003, our business manager/advisor had advanced an aggregate of approximately $1,763,306 for the payment of offering expenses to non-affiliated third parties, all of which has been repaid. Our sponsor has not advanced any reimbursable expenses in connection with this offering. We may reimburse up to $14,684,000 for offering expenses advanced if we sell the maximum number of shares offered. If the offering is not successful, then our sponsor will be solely responsible for the offering expenses to the extent it has not been reimbursed.

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Acquisition stage:	
Acquisition expenses	We will reimburse Inland Real Estate Acquisitions, Inc. for costs incurred, on our behalf, in connection with the acquisition of properties. We will pay an amount, estimated to be up to 0.5% of the total of (1) the gross offering proceeds from the sale of 250,000,000 shares and (2) the gross proceeds from the sale of up to 20,000,000 shares pursuant to the distribution reinvestment programs. The acquisition expenses for any particular property will not exceed 6% of the gross purchase price of the property.
Operational stage:	
Property management fee This fee terminates upon a business combination with our property managers.	4.5% of the gross income from the properties. (cannot exceed 90% of the fee which would be payble to an unrelated third party). We will pay the fee for services in connection with the rental, leasing, operation and management of the properties. For the year ended December 31, 2003, and the

	nine months ended September 30, 2004, we have incurred and paid property management fees of $16,627 and $2,847,427, of which $16,627 and $2,847,427 were retained by Inland US Management LLC, Inland Southwest Management LLC and Inland Pacific Management LLC. Actual amounts we will incur in the future cannot be determined at the present time.
Loan servicing fee and mortgage brokerage fee	0.08% of the total principal amount of the loans being serviced for each full year, up to the first $100 million and a lesser percentage on a sliding scale thereafter. For the year ended December 31, 2003, and the nine months ended September 30, 2004, we have incurred and paid $328 and $63,978 to Inland Mortgage Servicing Corporation. For the year ended December 31, 2003, and the nine months ended September 30, 2004, we have incurred and paid $59,523 and $2,241,986 to Inland Mortgage Investment Corporation.
Reimbursable expenses relating to administrative services	The compensation and reimbursements to our business manager/advisor and its affiliates will be approved by a majority of our directors. Actual amounts cannot be determined at the present time. These may include cost of goods and services and non-supervisory services performed directly for us by independent parties.

Liquidation stage:

Property disposition fee This fee terminates upon a business combination with our business manager/advisor.	Lesser of 3% of sales price or 50% of the customary commission which would be paid to a third party. Actual amounts cannot be determined at the present time.

Subordinated payments:

Operational stage:

Advisor asset management fee This fee terminates upon a business combination with our business manager/advisor.	Not more than 1% per annum of our average assets; subordinated to a non-cumulative, non-compounded return, equal to 6% per annum. Actual amounts cannot be determined at the present time. We will pay the fee for services in connection with our day-to-day operations, including administering our bookkeeping and accounting functions, services as our consultant in connection with policy decisions made by our board,

	managing our properties or causing them to be managed by another party and providing other services as our board deems appropriate. As of September 30, 2004, we have not paid or accrued any advisor asset management fees. Actual amounts we will incur in the future cannot be determined at the present time.
Liquidation stage:	
Incentive advisory fee This fee terminates upon a business combination with the business manager/advisor.	After our stockholders have first received a 10% cumulative, non-compounded return and a return of their net investment, an incentive advisory fee equal to 15% on net proceeds from the sale of a property will be paid to our business manager/advisor.

PRIMARY BUSINESS OBJECTIVE AND STRATEGIES

Our primary business objective is to enhance the performance and value of our properties through active management. Key elements of our strategy are:

Acquisitions:

- To selectively acquire real properties that are diversified types and well-located.

- To selectively acquire properties on an all-cash basis if necessary to provide us with a competitive advantage over potential purchasers who must secure financing. We may, however, acquire properties subject to existing indebtedness if we believe this is in our best interest. We may acquire properties free and clear of permanent mortgage debt by paying the entire purchase price of each property in cash or for shares, interests in entities that own one or more of our properties or a combination of these. However, as of the date of this

prospectus, we had not paid the purchase price of any properties using shares or interests in entities that will own our properties.

- To diversify geographically within the states west of the Mississippi by acquiring properties primarily located in major metropolitan areas to minimize the potential adverse impact of economic downturns in local markets.

Operations:

- We intend to continue to actively manage costs and minimize operating expenses by centralizing all management, leasing, marketing, financing, accounting, renovation and data processing activities.

- We intend to improve rental income and cash flow by aggressively marketing rentable space.

- We intend to continue to emphasize regular maintenance and periodic renovation to meet the needs of tenants and to maximize long-term returns.

- We intend to continue to maintain a diversified tenant base at our retail centers, consisting primarily of retail tenants providing consumer goods and services.

TERMS OF THE OFFERING

If we sell the maximum amount of shares under the offering, we will have sold a total of 500,020,000 shares, assuming that we sell all of the 250,000,000 shares offered in our initial public offering which began September 2003. These numbers do not include shares issued upon exercise of options granted and which may be granted under our independent director stock option plan, nor do they include shares issued pursuant to our existing distribution reinvestment program.

We are offering a maximum of 250,000,000 shares on a best efforts basis through the managing dealer at $10.00 per share, subject to discounts in some cases. An offering on a best efforts basis is one in which the securities dealers participating in the offering are under no obligation to purchase any of the securities being offered and, therefore, no specified number of securities are guaranteed to be sold and no specified amount of money is guaranteed to be raised from the offering.

We are also offering up to 20,000,000 shares at a purchase price of $9.50 per share to stockholders who elect to participate in our distribution reinvestment program.

The offering price of our shares is subjective and was determined by our board of directors. Our board of directors determined the offering price based upon the offering price in our initial public offering in September 2003, the offering price of earlier REITs organized by our sponsor, the range of other REITs that do not have a public trading market and the recommendation of the managing dealer based on its consultations with likely soliciting dealers.

IS AN INVESTMENT IN US APPROPRIATE FOR YOU?

An investment in us might be appropriate as part of your investment portfolio if:

- You are looking for regular distributions. We intend to pay regular monthly distributions to our domestic stockholders and regular quarterly distributions to our foreign stockholders. We have paid regular distributions to our domestic and foreign stockholders for the past nine months and the past three quarters. The maximum time that you should have to wait to receive the first distribution is 45 days from the date in which we accept your subscription.

- You are looking for a hedge against inflation. We have, and intend to continue to hedge against inflation by entering into leases with tenants which provide for scheduled rent escalations or participation in the growth of tenant sales. This is designed to provide increased distributions and capital appreciation.

- You are looking for capital preservation and appreciation. We intend to acquire, a portfolio of diverse properties, usually on an all cash basis, that are well located. After acquiring these properties, we may finance them, but we anticipate that aggregate borrowings secured by our properties will not exceed 55% of their combined fair market value. Currently, our aggregate borrowings secured by our properties is approximately 55% of their combined fair market value.

WE CANNOT GUARANTEE THAT WE WILL ACHIEVE THESE OBJECTIVES.

DISTRIBUTIONS

We have and intend to continue to pay regular monthly distributions to our domestic stockholders and regular quarterly distributions to our foreign stockholders. The maximum time that you should have to wait to receive the first distribution is 45 days from the date in which we accept your subscription.

In order to maintain our REIT status under federal income tax laws, we intend to distribute at least 90% of our taxable income to our stockholders. For federal income tax purposes only, we may make distributions that include a return of principal or an amount in excess of 95% of cash available to us.

REAL PROPERTY INVESTMENTS

As of December 7, 2004, our real estate portfolio was comprised of 91 properties containing approximately 16.1 million square feet of gross leasable area. The 91 properties consist of 42 retail shopping centers, 26 neighborhood and community shopping center properties, 18 single-user facilities and five joint venture retail shopping centers that we have operating control of, located in 25 states.

SHARE REPURCHASE PROGRAM

We have instituted a share repurchase program. Our share repurchase program provides eligible stockholders with limited interim liquidity by enabling them to sell shares back to us. The prices at which shares may be sold back to us will be one year from the purchase date at $9.25 per share; two years from the purchase date at $9.50 per share; three years from the purchase date at $9.75 per share; and four years from the purchase date at the greater of $10.00 per share or a price equal to ten times our "funds available for distribution" per weighted average share outstanding for the prior calendar year. We may terminate, reduce or otherwise change the above share repurchase program.

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ESTIMATED USE OF PROCEEDS

The amounts listed in the table below represent our current estimates concerning the use of the offering proceeds. Since these are estimates, they may not accurately reflect the actual receipt or application of the offering proceeds. The amounts set forth below assume:

- we sell the maximum of 250,000,000 shares in this offering at $10 per share; and

- we sell the maximum of 20,000,000 shares in our distribution reinvestment program at $9.50 per share.

We have not given effect to any special sales or volume discounts which could reduce selling commissions.

MAXIMUM OFFERING
(INCLUDING SHARES SOLD UN
DISTRIBUTION REINVESTMENT

	AMOUNT	PERCE
Gross proceeds	$ 2,690,000,000	100.00
Less expenses:		
Selling commissions	187,500,000	6.97
Marketing allowance	62,500,000	2.32
Due diligence expense allowance	12,500,000	0.46
Organization and offering	14,684,000	.55
Total expenses	277,184,000	10.30
Gross amount available	2,412,816,000	89.70
Less		
Acquisition expenses	13,450,000	0.50
Working capital reserve	26,900,000	1.00
Net cash available	$ 2,372,466,000	88.20

We will pay the managing dealer cash selling commissions of up to 7.5% on all of the 250,000,000 shares of common stock sold on a best-efforts basis. No selling commission is paid on shares sold through our distribution reinvestment program.

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RISK FACTORS

An investment in our shares involves significant risks and therefore is suitable only for those persons who understand those risks and the consequences of their investment and who are able to bear the risk of loss of their entire investment. You should consider the following material risks in addition to other information set forth elsewhere in this prospectus before making your investment decisions.

OUR COMMON STOCK IS NOT CURRENTLY LISTED ON AN EXCHANGE OR TRADING MARKET AND CANNOT BE READILY SOLD. There is currently no public trading market for the shares and we cannot assure you that one will develop. We may never list the shares for trading on a national stock exchange or include the shares for quotation on a national market system. The absence of an active public market for our shares could impair your ability to sell our stock at a profit or at all. By September 15, 2008 our board of directors will determine whether it is in our best interests to apply to have the shares listed on a national stock exchange or included for quotation on a national market system if we meet the applicable listing requirements at that time.

THE PRICE OF OUR COMMON STOCK IS SUBJECTIVE AND MAY NOT BEAR ANY RELATIONSHIP TO WHAT A STOCKHOLDER COULD RECEIVE IF IT WAS SOLD. Our board of directors determined the offering price of our shares of common stock based on the following factors:

- the offering price of our common stock in our initial public offering in September 2003;

- the offering price of the earlier REITs organized by our sponsor;

- the range of offering prices of other REITs that do not have a public trading market; and

- the recommendation of the managing dealer based on its consultations with likely soliciting dealers.

However, the offering price of our shares of common stock may not be the same as the price at which the shares may trade if they were listed on an exchange or actively traded by brokers, nor of the proceeds that a stockholder may receive if we were liquidated or dissolved. As such, any sales may be made at a loss.

YOU DO NOT KNOW WHAT REAL PROPERTIES AND OTHER ASSETS WE MAY ACQUIRE IN THE FUTURE, AND MUST RELY ON OUR BUSINESS MANAGER/ADVISOR, OUR BOARD AND OFFICERS TO SELECT THEM AND STOCKHOLDERS WILL NOT PARTICIPATE IN THESE DECISIONS. We intend to acquire commercial retail properties. Although we have already acquired 91 properties, and we are considering acquiring others, no information is available as to the identification, location, operating histories, lease terms or other relevant economic and financial data of any other properties or other assets we may purchase in the future. As a result, you must rely on us to locate and acquire additional suitable investment properties. In addition, our board of directors may approve future equity offerings or obtain financing, the proceeds of which may be invested in additional properties; therefore, you will not have an opportunity to evaluate all of the properties that will be in our portfolio. Stockholders will not participate in evaluating these investment opportunities. Nonetheless, you will be unable to evaluate the manner in which we invest the proceeds of this offering or the economic merit of particular properties prior to their acquisition. This prospectus only describes the parameters we will use to acquire additional real properties and other assets.

COMPETITION WITH THIRD PARTIES IN ACQUIRING PROPERTIES WILL REDUCE OUR PROFITABILITY AND THE RETURN ON YOUR INVESTMENT. We compete with many other entities engaged in real estate investment activities, many of which have greater resources than we do. Larger REITs may enjoy significant competitive advantages that result from, among other things, a lower cost of capital and enhanced

operating efficiencies. In addition, the number of entities and the amount of funds competing for suitable investment properties may increase. This will result in increased demand for these assets and therefore increased prices paid for them. If we pay higher prices for properties, our profitability is reduced and you will experience a lower return on your investment.

WE WILL COMPETE WITH REAL ESTATE INVESTMENT PROGRAMS SPONSORED BY COMPANIES AFFILIATED WITH US FOR THE ACQUISITION OF PROPERTIES AND FOR THE TIME AND SERVICES OF PERSONNEL. Affiliated companies have previously sponsored other REITs, private real estate equity programs and private placement mortgage and note programs, and affiliated companies in the future may sponsor other real estate investment programs. These affiliated companies include Inland Real Estate Corporation, Inland Retail Real Estate Trust, Inc., Inland Real Estate Exchange Corporation and other entities to be formed by The Inland Group, Inc. We will compete with these existing and future real estate investment programs for the acquisition of properties of a type suitable for our investment, for the time and services of personnel of our business manager/advisor and affiliates of our business manager/advisor in connection with our operation and the management of our assets, and for obtaining and retaining investors for our common stock. We will generally be acquiring properties that are located primarily west of the Mississippi River and single user net lease properties located anywhere in the

United States and therefore our geographic diversity may be limited.

WE PLAN TO INCUR MORTGAGE INDEBTEDNESS AND OTHER BORROWINGS, WHICH MAY REDUCE THE FUNDS AVAILABLE FOR DISTRIBUTION, MAY INCREASE THE RISK OF LOSS SINCE DEFAULTS MAY RESULT IN FORECLOSURE AND MORTGAGES MAY INCLUDE CROSS-COLLATERALIZATION OR CROSS-DEFAULT PROVISIONS THAT INCREASE THE RISK THAT MORE THAN ONE PROPERTY MAY BE AFFECTED BY A DEFAULT. We may, in some instances, use either existing financing or borrow new funds to acquire properties. We intend to incur or increase our mortgage debt by obtaining loans secured by selected or all of the real properties to obtain funds to acquire additional real properties. We may also borrow funds if necessary to satisfy the requirement that we distribute to stockholders as dividends at least 90% of our annual REIT taxable income, or otherwise as is necessary or advisable to assure that we maintain our qualification as a REIT for federal income tax purposes. Currently, our aggregate borrowings secured by our properties is approximately 55% of their combined fair market value.

We may incur mortgage debt on a particular real property if we believe the property's projected cash flow is sufficient to service the mortgage debt. However, if there is a shortfall in cash flow, then the amount available for distributions to stockholders may be affected. In addition, incurring mortgage debt increases the risk of loss since defaults on indebtedness secured by properties may result in foreclosure actions initiated by lenders and our loss of the property securing the loan which is in default. For tax purposes, a foreclosure of any of our properties would be treated as a sale of the property for a purchase price equal to the outstanding balance of the debt secured by the mortgage. If the outstanding balance of the debt secured by the mortgage exceeds our basis in the property, we would recognize taxable income on foreclosure, but would not receive any cash proceeds. We may give full or partial guarantees to lenders of mortgage debt to the entity that owns our properties. In such cases, we will be responsible to the lender for satisfaction of the debt if it is not paid by such entity. If any mortgages contain cross-collateralization or cross-default provisions, there is a risk that more than one real property may be affected by a default.

If mortgage debt is unavailable at reasonable rates, we will not be able to place financing on the properties, which could reduce distributions per share. If we place mortgage debt on the properties, we run the risk of being unable to refinance the properties when the loans come due, or of being unable to refinance on favorable terms. If interest rates are higher when the properties are refinanced, our net income could be reduced, which would reduce cash available for distribution to stockholders and may prevent us from raising capital by issuing more stock and may prevent us from borrowing more money.

IF WE HAVE INSUFFICIENT WORKING CAPITAL RESERVES, WE WILL HAVE TO OBTAIN FINANCING FROM OTHER SOURCES. We have established working capital reserves which we believe are adequate to cover our cash needs. However, if these reserves are insufficient to meet our cash needs, we may have to obtain financing from either affiliated or unaffiliated sources to fund our cash requirements. We cannot assure you that sufficient financing will be available or, if available, will be available on economically feasible terms or on terms acceptable to us. Additional borrowing for working capital purposes will increase our interest expense and therefore, our financial condition and our ability to pay distributions may be adversely affected.

THE TYPES OF PROPERTIES WHICH WE INTEND TO ACQUIRE AND THE AREA IN WHICH WE MAY ACQUIRE RETAIL CENTERS IS LIMITED. We primarily acquire and manage retail centers. We intend to acquire retail centers primarily in the states west of the Mississippi River. Adverse economic conditions affecting that area could adversely affect our profitability to a greater degree than if we had diversified our investments to include other types of real estate over a larger geographic region.

THE AGGREGATE AMOUNT WE MAY BORROW IS LIMITED UNDER OUR ARTICLES OF INCORPORATION. Our articles of incorporation limit the aggregate amount we may borrow, secured and unsecured, to 300% of our net assets, absent a satisfactory showing that a higher level is appropriate. Currently, our aggregate borrowings are approximately 164% of our net assets. That limitation could have adverse consequences on our business, including:

- freezing our ability to purchase properties;

- causing us to lose our REIT status if borrowing was necessary to distribute the required minimum amount of cash to our stockholders for us to qualify as a REIT;

- causing operational problems if there are cash flow shortfalls for working capital purposes; and

- resulting in the loss of a property if, for example, financing was necessary to cure a default on a mortgage.

In order to change this limitation, we must obtain approval by a majority of our independent directors and by a majority of our stockholders. There will be a delay before approval can be obtained, if it can be obtained at all. It is possible that even if the required approval is obtained, it may not be obtained in sufficient time to avoid the adverse consequences of not having the additional funding when it is needed.

BECAUSE OF THE WAY WE ARE ORGANIZED, WE WOULD BE A DIFFICULT TAKEOVER TARGET. THIS COULD DEPRESS THE PRICE OF OUR STOCK AND INHIBIT A MANAGEMENT CHANGE. Provisions which may have an anti-takeover effect and inhibit a change in our management include:

- THERE ARE OWNERSHIP LIMITS AND RESTRICTIONS ON TRANSFERABILITY AND OWNERSHIP IN OUR ARTICLES OF INCORPORATION. In order for us to qualify as a REIT, no more than 50% of the outstanding shares of our stock may be beneficially owned, directly or indirectly, by five or fewer individuals at any time during the last half of each taxable year. To assure that we will not fail to qualify as a REIT under this test, our articles of incorporation provide that, subject to some exceptions, no person may beneficially own more than 9.8% of our common stock.

This restriction may:

  - have the effect of delaying, deferring or preventing a change in control of us, including an extraordinary transaction (such as a merger, tender offer or sale of all or substantially all of our assets) that might involve a premium price for holders of our common stock; or

  - compel a stockholder who had acquired more than 9.8% of our stock to dispose of the additional shares and, as a result, to forfeit the benefits of owning the additional shares.

- OUR ARTICLES OF INCORPORATION PERMIT OUR BOARD OF DIRECTORS TO ISSUE PREFERRED STOCK WITH TERMS THAT MAY DISCOURAGE A THIRD PARTY FROM ACQUIRING US. Our articles of incorporation permit our board of directors to issue, without stockholder approval, up to 10 million shares of preferred stock. The board may classify or reclassify any unissued preferred stock and establish preferences, conversion or other rights, voting power, restrictions, limitations as to dividends and other distributions, qualifications, or terms or conditions of redemption, of any preferred stock. Thus, our board could authorize, without the approval by our stockholders, the issuance of preferred stock with terms and conditions which could have the effect of delaying, deferring or preventing a change in control of us, including an extraordinary transaction (such as merger, tender offer or sale of all or substantially all of our assets) that might provide a premium for holders of our common stock.

- MARYLAND LAW MAY DISCOURAGE A THIRD PARTY FROM ACQUIRING US. Maryland law restricts mergers and other business combinations between us and an interested stockholder. Under the Maryland Business Combination Act, an anti-takeover statute, for a period of five years after the most recent acquisition of stock by an interested stockholder, we may not engage in any merger or other business combination with that interested stockholder or any affiliate of that interested stockholder. After the five-year period, any merger or other business combination must be approved by our board of directors and by at least 80% of all the votes entitled to be cast by holders of outstanding shares of our voting stock and two-thirds of all the votes entitled to be cast by holders of outstanding shares of our voting stock other than the interested stockholder with whom the business combination is to be effected. The votes cited in the previous sentence would not apply if, among other things, the stockholders of the company receive in the business combination a minimum consideration for their common stock equal to the highest price paid by the interested stockholder for its common stock. However, as permitted by the Maryland Business Combination Act, our articles of incorporation provide that the business combination provisions of Maryland law do not apply to any business combination involving us and our affiliates. As a result, the five-year prohibition and the super-majority stockholder vote requirements will not apply to any business combinations between us and our affiliates. The Maryland Business Combination Act could have the effect of discouraging offers from third parties to acquire us and of increasing the difficulty of successfully completing a business combination. See "Description of Securities - Provisions of Maryland Law and our Articles of Incorporation and Bylaws."

- MARYLAND LAW ALSO LIMITS THE ABILITY OF A THIRD PARTY TO BUY A LARGE STAKE IN US AND EXERCISE VOTING POWER IN ELECTING DIRECTORS. Maryland law provides a second anti-takeover statute, its Control Share Acquisition Act, which provides that "control shares" of a Maryland corporation acquired in a "control share acquisition" have no voting rights except to the extent approved by the corporation's disinterested stockholders by a vote of two-thirds of the votes entitled to be cast on the matter; shares of stock owned by interested stockholders, that

is, by the acquirer, by officers or by directors who are employees of the corporation, are not entitled to be cast on the matter. "Control shares" are voting shares of stock which would entitle the acquirer to exercise voting power in electing directors within specified ranges of voting power. Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval. A "control share acquisition" means the acquisition of control shares. The control share acquisition statute does not apply (i) to shares acquired in a merger, consolidation or share exchange if the corporation is a party to the transaction or (ii) to acquisitions approved or exempted by the articles of incorporation or bylaws of the corporation. As permitted by the Maryland Control Share Acquisition Act, our bylaws exempt our affiliates from the Maryland control share acquisition statute. This statute could have the effect of discouraging offers from third parties to acquire us and increasing the difficulty of successfully completing this type of offer by anyone other than our affiliates or any of their affiliates. See "Description of Securities - Provisions of Maryland Law and our Articles of Incorporation and Bylaws - Control Share Acquisition."

YOUR INVESTMENT RETURN MAY BE REDUCED IF WE ARE REQUIRED TO REGISTER AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT. We are not registered as an investment company under the Investment Company Act of 1940. If we were obligated to register as an investment company, we would have to comply with a variety of substantive requirements under the Investment Company Act. These requirements include:

- limitations on capital structure;
- restrictions on specified investments;
- prohibitions on transactions with affiliates; and
- compliance with reporting, record keeping, voting, proxy disclosure and other rules and regulations that would significantly change our operations.

In order to maintain our exemption from regulation under the Investment Company Act of 1940, we must engage primarily in the business of buying real estate, and these investments must be made within a year after the offering ends. If we are unable to invest a significant portion of the proceeds of this offering in properties within one year of the termination of the offering, we may avoid being required to register as an investment company by temporarily investing any unused proceeds in government securities with low returns. This would reduce the cash available for distribution to investors and possibly lower your returns.

To maintain compliance with the Investment Company Act exemption, we may be unable to sell assets we would otherwise want to sell and may need to sell assets we would otherwise wish to retain. In addition, we may have to acquire additional income or loss generating assets that we might not otherwise have acquired or may have to forgo opportunities to acquire interests in companies that we would otherwise want to acquire and would be important to our strategy.

If we were required to register as an investment company but failed to do so, we would be prohibited from engaging in our business, and criminal and civil actions could be brought against us. In addition, our contracts would be unenforceable unless a court were to require enforcement, and a court could appoint a receiver to take control of us and liquidate our business.

THERE ARE MANY FACTORS WHICH CAN AFFECT DISTRIBUTIONS TO STOCKHOLDERS. Distributions will be based principally on cash available from our properties, real estate securities, and other investments. The

amount of cash available for distributions will be affected by many factors, such as our ability to buy properties as offering proceeds become available, the yields on securities of other REITs which we invest in, and our operating expense levels, as well as many other variables. Actual cash available for distributions may vary substantially from estimates. We can give no assurance that we will be able to pay or maintain distributions or that distributions will increase over time. Nor can we give any assurance that rents from the properties will increase, that the securities we buy will increase in value or provide increased dividends over time, or that future acquisitions of real properties or our investments in securities will increase our cash available for distributions to stockholders. Our actual results may differ from the assumptions used by our board of directors in establishing the initial distribution rate to stockholders. Some of these factors are beyond our control, and a change in any one factor could adversely affect our ability to pay future distributions:

- If one or more tenants defaults or terminates their lease, there could be a decrease or cessation of rental payments which would mean less cash available for distributions.

- Cash available for distributions may be reduced if we are required to spend money to correct defects or to make improvements to properties.

- Cash available to make distributions may decrease if the assets we acquire have lower yields than expected.

- There may be a delay between the sale of the common stock and our purchase of real properties. During that time, we may invest in lower yielding short term instruments, which could result in a lower yield on your investment.

- Federal income tax laws require REITs to distribute at least 90% of their taxable income to stockholders. This limits the earnings which we may retain for corporate growth, such as property acquisition, development or expansion and makes us more dependent upon additional debt or equity financing than corporations which are not REITs. If we borrow more funds in the future, more of our operating cash will be needed to make debt payments and cash available for distributions may therefore decrease.

- In connection with future property acquisitions, we may issue additional shares of common stock or interests in other entities that own our properties. We cannot predict the number of shares of common stock, units or interests which we may issue, or the effect that these additional shares might have on cash available for distributions to you. If we issue additional shares, they could reduce the cash available for distributions to you.

- We make distributions to our stockholders to comply with the distribution requirements of the Internal Revenue Code and to eliminate, or at least minimize, exposure to federal income taxes and the nondeductible REIT excise tax. Differences in timing between the receipt of income and the payment of expenses and the effect of required debt payments could require us to borrow funds on a short term basis to meet the distribution requirements that are necessary to achieve the tax benefits associated with qualifying as a REIT.

OUR DERIVATIVE FINANCIAL INSTRUMENTS USED TO HEDGE AGAINST INTEREST RATE FLUCTUATIONS COULD REDUCE THE OVERALL RETURNS ON YOUR INVESTMENT. We may use derivative financial instruments to hedge exposures to changes in interest rates on loans secured by our properties. To the extent we do, we are exposed to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes us, which creates credit risk for us. When the fair value of a derivative contract is negative, we owe the counterparty and, therefore, it does not possess credit risk.

Our hedging strategy and use of derivative financial instruments may reduce the overall returns on your investments. We have had limited experience with derivative financial instruments and so far we have recognized losses in our use of derivative financial instruments.

WE COULD ISSUE MORE SHARES IN THE FUTURE, WHICH COULD REDUCE THE MARKET PRICE OF OUR OUTSTANDING SHARES. We have the power to issue more shares of our common stock in the future. We cannot predict the effect on the market price of our outstanding common stock, if any, of future sales by us of shares of our common stock, or the availability of shares for future sales through the exercise of options granted to independent directors under our independent director stock option plan. The issuance of these additional shares, or the perception that these shares could be issued, could adversely affect the prevailing market prices, if any, for our common stock.

OUR SHARE REPURCHASE PROGRAM IS LIMITED TO 5% OF THE WEIGHTED AVERAGE NUMBER OF SHARES OF OUR STOCK OUTSTANDING DURING THE PRIOR CALENDAR YEAR AND MAY BE CHANGED OR TERMINATED BY US, THEREBY REDUCING THE POTENTIAL LIQUIDITY OF YOUR INVESTMENT. In accordance with our share repurchase program, a maximum of 5% of the weighed average number of shares of our stock outstanding during the prior calendar year may be repurchased by us. This standard limits the number of shares we can purchase. Our board also has the ability to change or terminate, at any time, our share repurchase program. If we terminate or modify our share repurchase program or if we do not have sufficient funds available to repurchase all shares that our stockholders request to repurchase, then our stockholders' ability to liquidate their shares will be diminished.

STOCKHOLDERS HAVE LIMITED CONTROL OVER CHANGES IN OUR POLICIES. Our board of directors determines our major policies, including our investment objectives, financing, growth, debt capitalization, REIT qualification and distributions. Our board of directors may amend or revise these and other policies without a vote of the stockholders. This means that stockholders will have limited control over changes in our policies.

IF WE INVEST IN JOINT VENTURES, THE OBJECTIVES OF OUR PARTNERS MAY CONFLICT WITH OUR OBJECTIVES. We may make investments in joint ventures or other partnership arrangements between us and affiliates of our sponsor or with unaffiliated third parties. Investments in joint ventures which own real properties may involve risks otherwise not present when we purchase real properties directly. For example, our co-venturer may file for bankruptcy protection, may have economic or business interests or goals which are inconsistent with our interests or goals, or may take actions contrary to our instructions, requests, policies or objectives. Among other things, actions by a co-venturer might subject real properties owned by the joint venture to liabilities greater than those contemplated by the terms of the joint venture or other adverse consequences.

IF WE SELL PROPERTIES BY PROVIDING FINANCING TO PURCHASERS, WE WILL BEAR THE RISK OF DEFAULT BY THE PURCHASER. If we decide to sell any of our properties, we will use our best efforts to sell for cash. However, we may sell our properties by providing financing to purchasers. When we provide financing to purchasers, we will bear the risk of default by the purchaser and will be subject to remedies provided by law. There are no limitations or restrictions on our ability to take purchase money obligations. We may therefore take a purchase money obligation secured by a mortgage as part payment for the purchase price. The terms of payment to us will be affected by custom in the area where the property being sold is located and the then-prevailing economic conditions. If we receive promissory notes or other property in lieu of cash from property sales, the distribution of the proceeds of sales to our stockholders, or their reinvestment in other properties, will be delayed until the promissory notes or other property are actually paid, sold, refinanced or otherwise disposed of. In some cases, we may receive initial down payments in

cash and other property in the year of sale in an amount less than the selling price and subsequent payments will be spread over a number of years.

DELAYS IN ACQUISITIONS OF PROPERTIES MAY HAVE AN ADVERSE EFFECT. Delays we encounter in the selection, acquisition and development of properties could adversely affect your returns and distributions on your investment. Where we acquire properties prior to the start of construction or during the early stages of construction, it will typically take several months to complete construction and rent available space. Therefore, you could suffer delays in your distributions attributable to those particular properties. In addition, it takes a certain amount of time to locate, negotiate an acceptable purchase contract, conduct due diligence and ultimately acquire a property. If we are unable to invest our offering proceeds in income producing real properties in a timely manner, this may adversely affect the funds available for distribution.

WE MAY NOT BE ABLE TO IMMEDIATELY INVEST PROCEEDS IN REAL ESTATE, WHICH WILL HARM YOUR RETURNS. Until we invest the proceeds of this offering in real estate investments, we may invest in short-term, highly liquid or other authorized investments. Such short-term investments are not likely to earn as high a return as we expect to earn on our real estate investments, and we cannot guarantee how long it will take us to fully invest the proceeds of this offering in real estate investments. If we are unable to locate and close on real estate investments promptly, or in a manner consistent with the capital we raise, the funds available for your distributions could be reduced.

WE DEPEND ON OUR BOARD OF DIRECTORS, BUSINESS MANAGER/ADVISOR AND PROPERTY MANAGERS AND LOSING THOSE RELATIONSHIPS COULD NEGATIVELY AFFECT OUR OPERATIONS. Our board of directors has supervisory control over all aspects of our operations. Our ability to achieve our investment objectives will depend to a large extent on the board's ability to oversee, and the quality of, the management provided by the business manager/advisor, the property managers, their affiliates and employees for day-to-day operations. Therefore, we depend heavily on the ability of the business manager/advisor and its affiliates to retain the services of each of its executive officers and key employees. However, none of these individuals has an employment agreement with the business manager/advisor or its affiliates. The loss of any of these individuals could have a material adverse effect on us. These individuals include Daniel L. Goodwin, Robert H. Baum, G. Joseph Cosenza, Robert D. Parks, Thomas P. McGuinness, Roberta S. Matlin and Brenda G. Gujral.

Our business manager/advisor must reimburse us for certain operational stage expenses exceeding 15% of the gross offering proceeds. If the business manager/advisor's net worth or cash flow is not sufficient to cover these expenses, we will not be reimbursed.

THERE ARE CONFLICTS OF INTEREST BETWEEN US AND OUR AFFILIATES. Our operation and management may be influenced or affected by conflicts of interest arising out of our relationship with our affiliates. Our business manager/advisor and its affiliates are or will be engaged in other activities that will result in potential conflicts of interest with the services that the business manager/advisor and affiliates will provide to us. Those affiliates could take actions that are more favorable to other entities than to us. The resolution of conflicts in favor of other entities could have a negative impact on our financial performance. These affiliates include Inland Retail Real Estate Trust, Inc., Inland Western Retail Real Estate Advisory Services, Inc., our business manager/advisor, Inland Real Estate Corporation, Inland Real Estate Exchange Corporation and entities to be formed by The Inland Group, Inc. Inland Real Estate Corporation is a publicly traded REIT that is self-administered and is no longer affiliated with The Inland Group. Inland Real Estate Corporation generally purchases shopping centers located in the Midwest. Inland Retail Real Estate Trust, Inc. is affiliated with The Inland Group, Inc. Inland Retail Real Estate Trust, Inc. purchases shopping centers located east of the Mississippi River. Inland Real Estate Exchange

Corporation is a subsidiary of Inland Real Estate Investment Corporation. Inland Real Estate Exchange Corporation provides replacement properties for people wishing to complete an IRS Section 1031 real estate exchange. Our business manager/advisor receives fees based on the book value including acquired intangibles of the properties under management. Specific conflicts of interest between us and our affiliates include:

- WE MAY ACQUIRE PROPERTIES FROM AFFILIATES OF OUR SPONSOR IN TRANSACTIONS IN WHICH THE PRICE WILL NOT BE THE RESULT OF ARM'S LENGTH NEGOTIATIONS. The prices we pay to affiliates of our sponsor for our properties will be equal to the prices paid by them, plus the costs incurred by them relating to the acquisition and financing of the properties. These prices will not be the subject of arm's length negotiations, which could mean that the acquisitions may be on terms less favorable to us than those negotiated in an arm's-length transaction. The result of these transactions could cause us to pay more for particular properties than we would have in an arm's length transaction and therefore, adversely affect our cash flow and our ability to pay your distributions.

- WE MAY PURCHASE REAL PROPERTIES FROM PERSONS WITH WHOM OUR BUSINESS MANAGER/ADVISOR OR ITS AFFILIATES HAVE PRIOR BUSINESS RELATIONSHIPS AND OUR INTERESTS IN THESE BUSINESS RELATIONSHIPS MAY BE DIFFERENT FROM THE INTERESTS OF OUR BUSINESS MANAGER/ADVISOR OR ITS AFFILIATES IN THESE BUSINESS RELATIONSHIPS. We may purchase properties from third parties who have sold properties in the past, or who may sell properties in the future, to our business manager/advisor or its affiliates. If we purchase properties from these third parties, our business manager/advisor will experience a conflict between our current interests and its interest in preserving any ongoing business relationship with these sellers. This could result in our business manager/advisor or its affiliates recommending properties that may be in the best interest of the third party seller, but not our best interest. This could adversely impact our portfolio by causing us to invest in properties that are not necessarily in our best interest.

- OUR BUSINESS MANAGER/ADVISOR AND ITS AFFILIATES RECEIVE COMMISSIONS, FEES AND OTHER COMPENSATION BASED UPON OUR INVESTMENTS AND THEREFORE OUR BUSINESS MANAGER/ADVISOR AND ITS AFFILIATES MAY RECOMMEND THAT WE MAKE INVESTMENTS IN ORDER TO INCREASE THEIR COMPENSATION. Our business manager/advisor and its affiliates receive commissions, fees and other compensation based upon our investments. They benefit by us retaining ownership of our assets and leveraging our assets, while you may be better served by sale or disposition or not leveraging the assets. In addition, our business manager/advisor's ability to receive fees and reimbursements depends on our continued investment in properties and in other assets which generate fees. Our business manager/advisor receives fees based on the book value including acquired intangibles of the properties under management. Our property managers receive fees based on the income from properties under management. Therefore, our business manager/advisor and/or property managers may recommend that we purchase properties that generate fees for our business manager/advisor and property managers, but are not necessarily the most suitable investment for our portfolio. In addition, our affiliates, who receive fees, including our business manager/advisor, may recommend that we acquire properties, which may result in our incurring substantive amounts of indebtedness. Therefore, the interest of our business manager/advisor and its affiliates in receiving fees may conflict with our ability to earn income and may result in our incurring substantive amounts of indebtedness. The resolution of this conflict of interest may adversely impact our cash flow and our ability to pay your distributions.

- OUR BUSINESS MANAGER/ADVISOR MAY HAVE CONFLICTING FIDUCIARY OBLIGATIONS IF WE ACQUIRE PROPERTIES WITH ITS AFFILIATES. Our business manager/advisor may cause us to acquire an

interest in a property through a joint venture with its affiliates. In these circumstances, our business manager/advisor will have a fiduciary duty to both us and its affiliates participating in the joint venture. The resolution of this conflict of interest may cause the business manager/advisor to sacrifice our best interest in favor of the seller of the property and therefore, we may enter into a transaction that is not in our best interest. The resolution of this conflict of interest may negatively impact our financial performance.

- THERE IS COMPETITION FOR THE TIME AND SERVICES OF OUR BUSINESS MANAGER/ADVISOR AND OUR BUSINESS MANAGER/ADVISOR MAY NOT DEDICATE THE TIME NECESSARY TO MANAGER OUR BUSINESS. We rely on our business manager/advisor and its affiliates for our daily operation and the management of our assets. Our officers and other personnel of our business manager/advisor and its affiliates have conflicts in allocating their management time, services and functions among the real estate investment programs they currently service and any future real estate investment programs or other business ventures which they may organize or serve. Those personnel could take actions that are more favorable to other entities than to us. The resolution of conflicts in favor of other entities could have a negative impact on our financial performance.

- INLAND SECURITIES CORPORATION IS PARTICIPATING AS MANAGING DEALER IN THE SALE OF THE SHARES. Inland Securities Corporation is our managing dealer of this offering and is affiliated with The Inland Group. Our managing dealer is entitled to selling commissions and reimbursement for marketing and due diligence expenses. Our managing dealer may be subject to a conflict of interest arising out of its participation in this offering and its affiliation with The Inland Group in performing its "due diligence" obligations which arise under the Securities Act of 1933. The resolution of this conflict of interest could have a negative impact on our financial performance.

- WE MAY ACQUIRE THE BUSINESS OF OUR BUSINESS MANAGER/ADVISOR AND OUR PROPERTY MANAGERS WITHOUT FURTHER ACTION BY OUR STOCKHOLDERS. During the term of our agreements with our business manager/advisor and our property managers, we have the option to acquire or consolidate the business conducted by them without any consent of our stockholders, our business manager/advisor or our property managers. We may elect to exercise this right at any time after September 15, 2008. This unfettered discretion could cause us to take action that otherwise we would not be able to do, and therefore could have a negative impact on our financial performance.

- WE DO NOT HAVE ARM'S-LENGTH AGREEMENTS, WHICH COULD CONTAIN TERMS WHICH ARE NOT IN OUR BEST INTEREST. As we have noted, our agreements and arrangements with our business manager/advisor or any of its affiliates, including those relating to compensation, are not the result of arm's length negotiations. These agreements may contain terms that our not in our best interest and would not otherwise be applicable if we entered into arm's-length agreements. See "Conflicts of Interest" for a discussion of various conflicts of interest.

WE CANNOT PREDICT THE AMOUNTS OF COMPENSATION TO BE PAID TO OUR BUSINESS MANAGER/ADVISOR AND OUR OTHER AFFILIATES. Because the fees that we will pay to our business manager/advisor and our other affiliates are based on the level of our business activity, it is not possible to predict the amounts of compensation that we will be required to pay these entities. In addition, because key employees of our affiliates are given broad discretion to determine when to consummate a transaction, we rely on these key persons to dictate the level of our business activity. Fees paid to our affiliates will reduce funds available for distribution. Because we cannot predict the amount of fees due to these affiliates, we cannot predict how precisely such fees will impact our distributions.

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THE MANAGING DEALER HAS NOT MADE AN INDEPENDENT REVIEW OF US OR THE PROSPECTUS. The managing dealer, Inland Securities Corporation, is one of our affiliates and will not make an independent review of us or the offering. Accordingly, you do not have the benefit of an independent review of the terms of this offering. Further, the due diligence investigation of us by the managing dealer, also an affiliate, cannot be considered to be an independent review and, therefore, may not be as meaningful as a review conducted by an unaffiliated broker-dealer or investment banker. In addition, a substantial portion of the proceeds of the offering will be paid to the managing dealer for managing the offering, including cash selling commissions, a marketing allowance and a due diligence expense allowance.

OUR RIGHTS AND THE RIGHTS OF OUR STOCKHOLDERS TO TAKE ACTION AGAINST OUR DIRECTORS AND OFFICERS AND THE BUSINESS MANAGER/ADVISOR ARE LIMITED. Maryland law provides that a director has no liability in the capacity as a director if he performs his duties in good faith, in a manner he reasonably believes to be in our best interests, and with the care that an ordinarily prudent person in a like position would use under similar circumstances. Maryland law also provides that an act by a director of a Maryland corporation is presumed to satisfy the standards of the preceding sentence. Additionally, our articles of incorporation limit the liability of our directors and officers to us and to our stockholders for monetary damages to the maximum extent permitted under Maryland law. Our articles of incorporation, in the case of our directors, officers, employees and agents, and the advisory agreement, in the case of the business manager/advisor, require us to indemnify our directors, officers, employees and agents and the business manager/advisor for actions taken by them in good faith and without negligence or misconduct. Moreover, we have entered into separate indemnification agreements with each of our directors and some of our executive officers. As a result, we and our stockholders may have more limited rights against our directors, officers, employees and agents, and the business manager/advisor than might otherwise exist under common law. In addition, we may be obligated to fund the defense costs incurred by our directors, officers, employees and agents or the business manager/advisor in some cases. See "Limitation of Liability and Indemnification of Directors, Officers and Our Business Manager/Advisor."

THE BUSINESS OF OUR BUSINESS MANAGER/ADVISOR AND OUR PROPERTY MANAGERS MAY BE ACQUIRED BY US WITHOUT FURTHER ACTION OF OUR STOCKHOLDERS. During the term of our agreements with our business manager/advisor and our property managers, we have the option to cause the business conducted by our business manager/advisor and/or our property managers (including all of their assets) to be acquired by or consolidated into us, without any consent of our stockholders, our business manager/advisor or our property managers or their respective board of directors or stockholders or shareholders in certain instances. We may elect to exercise this right as soon as any time after September 15, 2008. Our decision to exercise this right will be determined by a vote of a majority of our directors not otherwise interested in the transaction (including a majority of our independent directors). Our business manager/advisor and our property managers and/or their respective stockholders and shareholders will receive in connection with such an acquisition and in exchange for the transfer of all of the stock or assets of our business manager/advisor and/or our property managers, as the case may be, and for terminating their contractual relationships with us and the release or waiver of all their fees payable under the provisions of those contractual arrangements until their stated termination, but not paid, a determinable number of our shares. We will be obligated to pay any fees accrued under such contractual arrangements for services rendered through the closing of such acquisitions. In the event such an acquisition transaction is structured as a purchase of assets by us or a share exchange in which we are the acquiring corporation, our articles of incorporation and Maryland law will permit us to enter into and to consummate such a transaction without obtaining the approval of our stockholders. We do not presently intend to seek such stockholder approval if it is not then required by Maryland law or our articles of incorporation. Any such transaction will occur, if at all, only if our board of directors obtains a fairness opinion from a recognized financial advisor or institution providing valuation services to the effect that the consideration to be paid therefore is fair, from a financial point of view, to our stockholders. As a

result, our stockholders will not have a right to vote on a decision to acquire the business manager/advisor or property managers and such transaction could dilute your holdings.

YOUR PERCENTAGE OF OWNERSHIP MAY BECOME DILUTED IF WE ISSUE NEW SHARES OF STOCK. Stockholders have no rights to buy additional shares of stock in the event we issue new shares of stock, known as preemptive rights. We may issue common stock, convertible debt or preferred stock in a subsequent public offering or a private placement, upon exercise of options, or to sellers of properties we directly or indirectly acquire instead of, or in addition to, cash consideration. Investors purchasing common stock in this offering who do not participate in any future stock issues will experience dilution in the percentage of the issued and outstanding stock they own. Your investment will not be diluted as a result of any future stock issues if we sell any subsequently issued common stock for cash or property having a value of not less than $10 per share. Options to purchase common stock to be issued to independent directors under our independent director stock option plan, and/or convertible securities, if any, likely will be exercised or converted at a time when we seek to obtain needed capital through a new offering of our securities and on terms more favorable than those provided by the offered securities. As long as options on convertible securities remain unexercised or unconverted, the terms on which we could raise additional capital may be adversely affected, increasing the likelihood of your ownership percentage being diluted.

THERE ARE INHERENT RISKS WITH REAL ESTATE INVESTMENTS. All real property investments are subject to some degree of risk. Equity real estate investments cannot be quickly converted to cash. This limits our ability to promptly vary our portfolio in response to changing economic, financial and investment conditions. Real property investments are also subject to adverse changes in general economic conditions or local conditions which reduce the demand for rental space. Other factors also affect real estate values, including:

- possible federal, state or local regulations and controls affecting rents, prices of goods, fuel and energy consumption and prices, water and environmental restrictions;

- increasing labor and material costs; and

- the attractiveness of the property to tenants in the neighborhood.

The yields available from equity investments in real estate depend in large part on the amount of rental income earned, as well as property operating expenses and other costs we incur. If our properties do not generate revenues sufficient to meet operating expenses, we may have to borrow amounts to cover fixed costs, and our cash available for distributions may be adversely affected.

Prior investment programs of our sponsor experienced mortgage defaults and restructuring of debt. The principal real estate related adverse effects experienced by prior investment programs sponsored by The Inland Group and its affiliates were mortgage defaults and restructuring of debt.

ADVERSE ECONOMIC CONDITIONS IN OUR PRIMARY GEOGRAPHIC REGION AND IN THE MARKET FOR RETAIL SPACE COULD REDUCE OUR INCOME AND DISTRIBUTIONS TO YOU. We intend to acquire properties that will be located primarily in states west of the Mississippi River in the United States. Our properties will primarily be used as retail establishments, principally multi-tenant shopping centers. The economic performance of our properties could be affected by changes in local economic conditions. Our performance is therefore linked to economic conditions in areas where we have acquired or intend to acquire properties and in the market for retail space generally. Therefore, to the extent that there are adverse economic conditions in an area and in the market for retail space generally that impact the market rents for retail space, such conditions could result in a reduction of our income and cash available for distributions and thus affect the amount of distributions we can make to you.

In addition, we intend to predominantly own and operate grocery and discount anchored retail centers. To the extent that the investing public has a negative perception of the retail sector, the value of our common stock may be negatively impacted, thereby resulting in the shares trading (if at all) at a discount below the inherent value of our assets as a whole.

RISING EXPENSES COULD REDUCE CASH FLOW AND FUNDS AVAILABLE FOR FUTURE ACQUISITIONS. Our properties and any properties we buy in the future are and will be subject to operating risks common to real estate in general, any or all of which may negatively affect us. If any property is not fully occupied or if rents are being paid in an amount that is insufficient to cover operating expenses, we could be required to expend funds with respect to that property for operating expenses. The properties will be subject to increases in tax rates, utility costs, operating expenses, insurance costs, repairs and maintenance and administrative expenses.

While some of our properties may be leased on a triple-net-lease basis or require the tenants to pay a portion of such expenses, renewals of leases or future leases may not be negotiated on that basis, in which event we will have to pay those costs. If we are unable to lease properties on a triple-net-lease basis or on a basis requiring the tenants to pay all or some of such expenses, or if tenants fail to pay required tax, utility and other impositions, we could be required to pay those costs which could adversely affect funds available for future acquisitions or cash available for distributions.

IF OUR TENANTS ARE UNABLE TO MAKE RENTAL PAYMENTS, IF THEIR RENTAL PAYMENTS ARE REDUCED, OR IF THEY TERMINATE A LEASE, OUR FINANCIAL CONDITION AND ABILITY TO PAY DISTRIBUTIONS WILL BE ADVERSELY AFFECTED. We are subject to the risk that tenants, as well as lease guarantors, if any, may be unable to make their lease payments or may decline to extend a lease upon its expiration. A default by a tenant, the failure of a guarantor to fulfill its obligations or other premature termination of a lease, or a tenant's election not to extend a lease upon its expiration, could have an adverse effect on our financial condition and our ability to pay distributions.

OUR FINANCIAL CONDITION AND ABILITY TO MAKE DISTRIBUTIONS MAY BE ADVERSELY AFFECTED BY THE BANKRUPTCY OR INSOLVENCY, A DOWNTURN IN THE BUSINESS, OR A LEASE TERMINATION OF A TENANT THAT OCCUPIES A LARGE AREA OF THE RETAIL CENTER OR AN ANCHOR TENANT. Generally, any tenant occupying a large portion of the gross leasable area of a retail center, a tenant of any of the triple-net single-user properties outside the primary geographical area of investment, commonly referred to as an anchor tenant, or a tenant that is an anchor tenant at more than one retail center, may become insolvent, may suffer a downturn in business, or may decide not to renew its lease. Any of these events would result in a reduction or cessation in rental payments to us and would adversely affect our financial condition. A lease termination by an anchor tenant could result in lease terminations or reductions in rent by other tenants whose leases permit cancellation or rent reduction if an anchor tenant's lease is terminated. In certain properties where there are large tenants, other tenants may require that if certain large tenants or "shadow" tenants discontinue operations, a right of termination or reduced rent may exist. In such event, we may be unable to re-lease the vacated space. Similarly, the leases of some anchor tenants may permit the anchor tenant to transfer its lease to another retailer. The transfer to a new anchor tenant could cause customer traffic in the retail center to decrease and thereby reduce the income generated by that retail center. A transfer lease to a new anchor tenant could also allow other tenants to make reduced rental payments or to terminate their leases at the retail center. If we are unable to re-lease the vacated space to a new anchor tenant, we may incur additional expenses in order to re-model the space to be able to re-lease the space to more than one tenant.

IF A TENANT CLAIMS BANKRUPTCY, WE MAY BE UNABLE TO COLLECT BALANCES DUE UNDER RELEVANT LEASES. Any or all of the tenants, or a guarantor of a tenant's lease obligations, could be subject to a bankruptcy proceeding pursuant to Title 11 of the bankruptcy laws of the United States. Such a bankruptcy filing would bar all efforts by us to collect pre-bankruptcy debts from these entities or their properties, unless

we receive an enabling order from the bankruptcy court. Post-bankruptcy debts would be paid currently. If a lease is assumed, all pre-bankruptcy balances owing under it must be paid in full. If a lease is rejected by a tenant in bankruptcy, we would have a general unsecured claim for damages. If a lease is rejected, it is unlikely we would receive any payments from the tenant because our claim is capped at the rent reserved under the lease, without acceleration, for the greater of one year or 15% of the remaining term of the lease, but not greater than three years, plus rent already due but unpaid. This claim could be paid only in the event funds were available, and then only in the same percentage as that realized on other unsecured claims.

A tenant or lease guarantor bankruptcy could delay efforts to collect past due balances under the relevant leases, and could ultimately preclude full collection of these sums. Such an event could cause a decrease or cessation of rental payments which would mean a reduction in our cash flow and the amount available for distributions to you. In the event of a bankruptcy, we cannot assure you that the tenant or its trustee will assume our lease. If a given lease, or guaranty of a lease, is not assumed, our cash flow and the amounts available for distributions to you may be adversely affected.

WE MAY INCUR ADDITIONAL COSTS IN ACQUIRING OR RE-LEASING RETAIL PROPERTIES. Some of the properties we may acquire may be designed or built primarily for a particular tenant or a specific type of use. If a tenant fails to renew its lease or defaults on its lease obligations, we may not be able to readily market the property to a new tenant without substantial capital improvements or remodeling, which may adversely affect our results of operation and financial condition.

OUR PROPERTIES WILL BE SUBJECT TO COMPETITION FOR TENANTS AND CUSTOMERS. We have and intend to continue to acquire properties located in developed areas. Therefore, there are and will undoubtedly be numerous other retail properties within the market area of each of our properties which will compete with our properties and which will compete with us for tenants. The number of competitive properties could have a material effect on our ability to rent space at our properties and the amount of rents charged. We could be adversely affected if additional competitive properties are built in locations competitive with our properties, causing increased competition for customer traffic and creditworthy tenants. This could result in decreased cash flow from tenants and may require us to make capital improvements to properties which we would not have otherwise made, thus affecting cash available for distributions, and the amount available for distributions to you.

OUR PROPERTIES WILL FACE COMPETITION WHICH MAY AFFECT TENANTS' ABILITY TO PAY RENT AND THE AMOUNT OF RENT PAID TO US AND IN TURN AFFECT THE CASH AVAILABLE FOR DISTRIBUTIONS AND THE AMOUNT OF DISTRIBUTIONS. Each of our properties will be subject to competition from similar retail centers within their respective market areas. Other retail centers within the market area of our properties will compete with our properties for customers affecting their cash flows and thus affecting their ability to pay rent. In addition, some of our tenant rent payments may be based on the amount of sales revenue generated by them. If these tenants experience competition, the amount of their rent may decrease and our cash flow will decrease.

WE MAY BE RESTRICTED FROM RE-LEASING SPACE. In many cases, tenant leases will contain provisions giving the tenant the exclusive right to sell particular types of merchandise or provide specific types of services within the particular retail center, or limit the ability of other tenants to sell such merchandise or provide such services. When re-leasing space after a vacancy is required, these provisions may limit the number and types of prospective tenants for the vacant space. The failure to re-lease or to re-lease on satisfactory terms could result in a reduction of net income, funds from operations and cash available for distributions and thus affect the amount of distributions to you.

WE MAY BE UNABLE TO SELL A PROPERTY IF OR WHEN WE DECIDE TO DO SO. The real estate market is affected by many factors, such as general economic conditions, availability of financing, interest rates and other factors, including supply and demand, that are beyond our control. We cannot predict whether we will be able to sell any property for the price or on the terms set by us, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We cannot predict the length of time needed to find a willing purchaser and to close the sale of a property.

We may be required to expend funds to correct defects or to make improvements before a property can be sold. We cannot assure you that we will have funds available to correct such defects or to make such improvements.

In acquiring a property, we may agree to restrictions that prohibit the sale of that property for a period of time or impose other restrictions, such as a limitation on the amount of debt that can be placed or repaid on that property. These provisions would restrict our ability to sell a property.

IF WE SUFFER LOSSES THAT ARE NOT COVERED BY INSURANCE OR THAT ARE IN EXCESS OF INSURANCE COVERAGE, WE COULD LOSE INVESTED CAPITAL AND ANTICIPATED PROFITS. Each tenant is responsible for insuring its goods and premises and, in some circumstances, may be required to reimburse us for a share of the cost of acquiring comprehensive insurance for the property, including casualty, liability, fire and extended coverage customarily obtained for similar properties in amounts which our business manager/advisor determines are sufficient to cover reasonably foreseeable losses. Tenants of single-user properties leased on a triple-net-lease basis typically are required to pay all insurance costs associated with those properties. Material losses may occur in excess of insurance proceeds with respect to any property as insurance may not have sufficient resources to fund the losses. However, there are types of losses, generally of a catastrophic nature, such as losses due to wars, acts of terrorism, earthquakes, floods, hurricanes, pollution or environmental matters, which are either uninsurable or not economically insurable, or may be insured subject to limitations, such as large deductibles or copayments. Insurance risks associated with potential terrorism acts could sharply increase the premium we pay for coverage against property and casualty claims. Additionally, mortgage lenders in some cases have begun to insist that specific coverage against terrorism be purchased by commercial property owners as a condition for providing mortgage loans. It is uncertain whether such insurance policies will be available, or available at reasonable cost, which could inhibit our ability to finance or refinance our potential properties. In such instances, we may be required to provide other financial support, either through financial assurances or self-insurance, to cover potential losses. We cannot assure you that will have adequate coverage for such losses. The Terrorism Risk Insurance Act of 2002 is designed for a sharing of terrorism losses between insurance companies and the federal government. We cannot be certain how this act will impact us or what additional cost to us, if any, could result. If such an event occurred to, or caused the destruction of, one or more of our properties, we could lose both our invested capital and anticipated profits from such property.

TERRORIST ATTACKS, SUCH AS THE ATTACKS THAT OCCURRED IN NEW YORK AND WASHINGTON, D.C. ON SEPTEMBER 11, 2001, AND OTHER ACTS OF VIOLENCE OR WAR MAY AFFECT THE MARKETS IN WHICH WE OPERATE, OUR OPERATIONS AND OUR PROFITABILITY. Terrorist attacks may negatively affect our operations and your investment in our common shares. We cannot assure you that there will not be further terrorist attacks against the United States or United States businesses. Properties we may acquire may be located in areas that may be susceptible to attack, which may make these properties more likely to be viewed as terrorist targets than similar, less recognizable properties. These attacks or armed conflicts may directly impact the value of our properties through damage, destruction, loss or increased security costs. We may obtain terrorism insurance as required by our lenders. The terrorism insurance that we obtain may not be sufficient to cover loss for damages to our properties as a result of terrorist attacks. In addition, certain losses resulting from these types of events are uninsurable and others would not be covered by our current terrorism insurance. Additional terrorism insurance may not be available at a reasonable price or at all.

The United States' armed conflict in Iraq and continued efforts against terrorism could have a further impact on our tenants. The consequences of any armed conflict and efforts against terrorism are unpredictable, and we may not be able to foresee events that could have an adverse effect on our business or your investment.

More generally, any of these events could result in increased volatility in or damage to the United States and worldwide financial markets and economy. They also could result in an economic uncertainty in the United States or abroad. Our revenues will be dependent upon payment of rent by retailers, which may be particularly vulnerable to uncertainty in the local economy. Adverse economic conditions could affect the ability of our tenants to pay rent, which could have a material adverse effect on our operating results and financial condition, as well as our ability to pay distributions to stockholders.

REAL ESTATE RELATED TAXES MAY INCREASE AND IF THESE INCREASES ARE NOT PASSED ON TO TENANTS, OUR INCOME WILL BE REDUCED. Some local real property tax assessors may seek to reassess some of our properties as a result of our acquisition of the property. Generally, from time to time our property taxes increase as property values or assessment rates change or for other reasons deemed relevant by the assessors. An increase in the assessed valuation of a property for real estate tax purposes will result in an increase in the related real estate taxes on that property. Although some tenant leases may permit us to pass through such tax increases to the tenants for payment, there is no assurance that renewal leases or future leases will be negotiated on the same basis. Increases not passed through to tenants will adversely affect our income, cash available for distributions, and the amount of distributions to you.

REVENUE FROM OUR PROPERTIES DEPENDS ON THE AMOUNT OF OUR TENANTS' RETAIL REVENUE, MAKING US VULNERABLE TO GENERAL ECONOMIC DOWNTURNS AND OTHER CONDITIONS AFFECTING THE RETAIL INDUSTRY. Some of our leases may provide for base rent plus contractual base rent increases. Some of our leases may also include a percentage rent clause for additional rent above the base amount based upon a specified percentage of the sales our tenants generate.

Under those leases which contain percentage rent clauses, our revenue from tenants may increase as the sales of our tenants increase. Generally, retailers face declining revenues during downturns in the economy. As a result, the portion of our revenue which we derive from percentage rent leases could decline upon a general economic downturn.

THE COSTS OF COMPLIANCE WITH ENVIRONMENTAL LAWS AND OTHER GOVERNMENTAL LAWS AND REGULATIONS MAY ADVERSELY AFFECT OUR INCOME AND THE CASH AVAILABLE FOR ANY DISTRIBUTIONS. All real property and the operations conducted on real property are subject to federal, state and local laws and regulations relating to environmental protection and human health and safety. These laws and regulations generally govern wastewater discharges, air emissions, the operation and removal of underground and above-ground storage tanks, the use, storage, treatment, transportation and disposal of solid and hazardous materials, and the remediation of contamination associated with disposals. Some of these laws and regulations may impose joint and several liability on tenants, owners or operators for the costs of investigation or remediation of contaminated properties, regardless of fault or the legality of the original disposal. Under various federal, state and local laws, ordinances and regulations, a current or previous owner, developer or operator of real estate may be liable for the costs of removal or remediation of hazardous or toxic substances at, on, under, or in its property. The costs of removal or remediation could be substantial. In addition, the presence of such substances, or the failure to properly remediate such substances, may adversely affect our ability to sell or rent such property or to use such property as collateral for future borrowing.

Some of these laws and regulations have been amended so as to require compliance with new or more stringent standards as of future dates. Compliance with new or more stringent laws or regulations, stricter interpretation of existing laws or the future discovery of environmental contamination may require

material expenditures by us. We cannot assure that future laws, ordinances or regulations will not impose any material environmental liability, or that the current environmental condition of our properties will not be affected by the operations of the tenants, by the existing condition of the land, by operations in the vicinity of the properties, such as the presence of underground storage tanks, or by the activities of unrelated third parties.

These laws typically allow liens to be placed on the affected property. In addition, there are various local, state and federal fire, health, life-safety and similar regulations which we may be required to comply with, and be subject to liability in the form of fines or damages for noncompliance.

State and federal laws in this area are constantly evolving, and we intend to monitor these laws and take commercially reasonable steps to protect ourselves from the impact of these laws, including obtaining environmental assessments of each property acquired. We cannot assure that such assessments will reveal all environmental liabilities or that a prior owner of a property did not create a material environmental condition not known to us. We cannot predict what other environmental legislation or regulations will be enacted in the future, how existing or future laws or regulations will be administered or interpreted, or what environmental conditions may be found to exist in the future. We cannot assure that our business, assets, results of operations, liquidity or financial condition will not be adversely affected by these laws, which may adversely affect cash available for distributions, and the amount of distributions to you.

OUR COSTS ASSOCIATED WITH COMPLYING WITH THE AMERICANS WITH DISABILITIES ACT MAY AFFECT CASH AVAILABLE FOR DISTRIBUTIONS. Our properties will be subject to the Americans with Disabilities Act of 1990. Under the Disabilities Act, all places of public accommodation are required to comply with federal requirements related to access and use by disabled persons. The Disabilities Act has separate compliance requirements for "public accommodations" and "commercial facilities" that generally requires that buildings and services, including restaurants and retail stores, be made accessible and available to people with disabilities. The Disabilities Act's requirements could require removal of access barriers and could result in the imposition of injunctive relief, monetary penalties, or, in some cases, an award of damages. We will attempt to acquire properties which comply with the Disabilities Act or place the burden on the seller or other third party, such as a tenant, to ensure compliance with the Disabilities Act. However, we cannot assure that we will be able to acquire properties or allocate responsibilities in this manner. If we cannot, our funds used for Disabilities Act compliance may affect cash available for distributions and the amount of distributions to you.

IF A SALE OR LEASEBACK TRANSACTION IS RECHARACTERIZED, OUR FINANCIAL CONDITION COULD BE ADVERSELY AFFECTED. We may enter into sale and leaseback transactions, where we would purchase a property and then lease the same property back to the person from whom we purchased it. In the event of the bankruptcy of a tenant, a transaction structured as a sale and leaseback may be recharacterized as either a financing or a joint venture, either of which outcomes could adversely affect our business.

If the sale and leaseback were recharacterized as a financing, we might not be considered the owner of the property, and as a result would have the status of a creditor in relation to the tenant. In that event, we would no longer have the right to sell or encumber our ownership interest in the property. Instead, we would have a claim against the tenant for the amounts owed under the lease, with the claim arguably secured by the property. The tenant/debtor might have the ability to propose a plan restructuring the term, interest rate and amortization schedule of its outstanding balance. If confirmed by the bankruptcy court, we could be bound by the new terms, and prevented from foreclosing our lien on the property. These outcomes could adversely affect our cash flow and the amount available for distributions to you.

If the sale and leaseback were recharacterized as a joint venture, we and our lessee could be treated as co-venturers with regard to the property. As a result, we could be held liable, under some circumstances, for debts incurred by the lessee relating to the property. The imposition of liability on us could adversely affect our cash flow and the amount available for distributions to our stockholders.

WE MAY INCUR ADDITIONAL COSTS IN ACQUIRING NEWLY CONSTRUCTED PROPERTIES WHICH MAY ADVERSELY AFFECT CASH AVAILABLE FOR DISTRIBUTIONS TO YOU. We have and intend to continue to primarily acquire existing or newly constructed properties. We may purchase properties that are subject to completion of construction and development. The builder's failure to perform may result in tenants terminating leases. These actions may increase our costs or necessitate legal action by us to rescind our purchase of a property, to compel performance, or to sue for damages. Any such legal action may result in increased costs to us.

OUR INVESTMENTS IN UNIMPROVED REAL PROPERTY MAY RESULT IN ADDITIONAL COST TO US TO COMPLY WITH RE-ZONING RESTRICTIONS OR ENVIRONMENTAL REGULATIONS. We may invest up to 10% of our assets in unimproved real property. Investments in unimproved properties are subject to the risks of real estate investments in general. They are also subject to risks and uncertainties associated with re-zoning the land for higher use or development and environmental concerns of governmental entities and/or community groups. We do not intend to invest in any unimproved property which is not intended to be developed.

CONSTRUCTION AND DEVELOPMENT ACTIVITIES WILL EXPOSE US TO RISKS SUCH AS COST OVERRUNS, CARRYING COSTS OF PROJECTS UNDER CONSTRUCTION OR DEVELOPMENT, AVAILABILITY AND COSTS OF MATERIALS AND LABOR, WEATHER CONDITIONS AND GOVERNMENT REGULATION. Should we elect to engage in construction and development activities, in accordance with current pronouncements of the Internal Revenue Service, we intend to have our employees only perform oversight and review functions. These functions may include selecting sites, reviewing construction and tenant improvement design proposals, negotiating and contracting for feasibility studies, supervising compliance with local, state or federal laws and regulations, negotiating contracts, oversight of construction, accounting and obtaining financing. We will retain an independent general contractor to perform the actual physical construction work on tenant improvements or the installation of heating, ventilation and air conditioning systems. These activities will expose us to risks inherent in construction and development, including cost overruns, carrying costs of projects under construction or development, availability and costs of materials and labor, adverse weather conditions and governmental regulation.

WE MAY ACQUIRE OR FINANCE PROPERTIES WITH LOCK-OUT PROVISIONS WHICH MAY PROHIBIT US FROM SELLING A PROPERTY, OR MAY REQUIRE US TO MAINTAIN SPECIFIED DEBT LEVELS FOR A PERIOD OF YEARS ON SOME PROPERTIES. Lock out provisions could materially restrict us from selling or otherwise disposing of or refinancing properties. These provisions would affect our ability to turn our investments into cash and thus affect cash available for distributions to you. Lock out provisions may prohibit us from reducing the outstanding indebtedness with respect to any properties, refinancing such indebtedness on a nonrecourse basis at maturity, or increasing the amount of indebtedness with respect to such properties.

Lock out provisions could impair our ability to take actions during the lock-out period that would otherwise be in the best interests of our stockholders and, therefore, may have an adverse impact on the value of the shares, relative to the value that would result if the lock-out provisions did not exist. In particular, lock out provisions could preclude us from participating in major transactions that could result in a disposition of our assets or a change in control even though that disposition or change in control might be in the best interests of our stockholders.

YOUR INVESTMENT HAS VARIOUS FEDERAL INCOME TAX RISKS. Although the provisions of the Internal Revenue Code relevant to your investment are generally described in the section of the prospectus titled "Federal Income Tax Considerations," we strongly urge you to consult your own tax advisor concerning

the effects of federal, state and local income tax law on an investment and on your individual tax situation.

IF WE FAIL TO MAINTAIN OUR REIT STATUS, OUR DIVIDENDS WILL NOT BE DEDUCTIBLE TO US AND OUR INCOME WILL BE SUBJECT TO TAXATION. We have qualified as a REIT under the Internal Revenue Code of 1986, as amended, which affords us significant tax advantages. The requirements for this qualification, however, are complex. If we fail to continue to meet these requirements, our dividends will not be deductible to us and we will have to pay a corporate level tax on our income. This would substantially reduce our cash available to pay distributions and your yield on your investment. In addition, tax liability might cause us to borrow funds, liquidate some of our investments or take other steps which could negatively affect our operating results. Moreover, if our REIT status is terminated because of our failure to meet a technical REIT test, we would be disqualified from electing treatment as a REIT for the four taxable years following the year in which REIT status is lost.

YOU MAY HAVE TAX LIABILITY ON DISTRIBUTIONS YOU ELECT TO REINVEST IN COMMON STOCK. If you participate in our distribution reinvestment program, you will be deemed to have received, and for income tax purposes will be taxed on, the amount reinvested in common stock. As a result, unless you are a tax-exempt entity, you may have to use funds from other sources to pay your tax liability on the value of the common stock received.

THE OPINION OF DUANE MORRIS LLP REGARDING OUR STATUS AS A REIT DOES NOT GUARANTEE OUR ABILITY TO REMAIN A REIT. Our legal counsel, Duane Morris LLP, has rendered its opinion that we qualify as a REIT, based upon our representations as to the manner in which are owned, invest in assets, and operate, among other things. Our qualification as a REIT depends upon our ability to meet, through investments, actual operating results, distributions, and satisfaction of specific stockholder rules, the various tests imposed by the Internal Revenue Code. Duane Morris LLP will not review these operating results or compliance with the qualification standards. This means that we cannot assure you that we will satisfy the REIT requirements in the future. Also, this opinion represents Duane Morris LLP's legal judgment based on the law in effect as of the date of this prospectus and is not binding on the Internal Revenue Service, and could be subject to modification or withdrawal based on future legislative, judicial or administrative changes to the federal income tax laws, any of which could be applied retroactively.

EVEN REITS ARE SUBJECT TO FEDERAL AND STATE INCOME TAXES. Even if we qualify and maintain our status as a REIT, we may become subject to federal income taxes and related state taxes. For example, if we have net income from a "prohibited transaction," such income will be subject to a 100% tax. We may not be able to make sufficient distributions to avoid excise taxes applicable to REITs. We may also decide to retain income we earn from the sale or other disposition of our property and pay income tax directly on such income. In that event, our stockholders would be treated as if they earned that income and paid the tax on it directly. However, stockholders that are tax-exempt, such as charities or qualified pension plans, would have no benefit from their deemed payment of such tax liability. In addition, we may also be subject to state and local taxes on our income or property, either directly or at the level of the operating partnership or at the level of the other companies through which we indirectly own our assets. We cannot assure you that we will be able to continue to satisfy the REIT requirements.

IN VIEW OF THE COMPLEXITY OF THE TAX ASPECTS OF THE OFFERING, PARTICULARLY IN LIGHT OF THE FACT THAT SOME OF THE TAX ASPECTS OF THE OFFERING WILL NOT BE THE SAME FOR ALL INVESTORS, PROSPECTIVE INVESTORS ARE STRONGLY ADVISED TO CONSULT THEIR TAX ADVISORS WITH SPECIFIC REFERENCE TO THEIR OWN TAX SITUATION PRIOR TO AN INVESTMENT IN SHARES OF OUR COMMON STOCK.

AN INVESTMENT IN OUR COMMON STOCK MAY NOT BE SUITABLE FOR EVERY EMPLOYEE BENEFIT PLAN. When considering an investment in our common stock, an individual with investment discretion over assets of any pension plan, profit-sharing plan, retirement plan, IRA or other employee benefit plan

covered by ERISA should consider whether the investment satisfies the fiduciary requirements of ERISA and other applicable laws. In particular, attention should be paid to the diversification requirements of Section 404(a)(1)(C) of ERISA in light of all the facts and circumstances, including the portion of the plan's portfolio of which the investment will be a part. All plan investors should also consider whether the investment is prudent and meets plan liquidity requirements as there may be only a limited market in which to sell or otherwise dispose of our common stock, and whether the investment is permissible under the plan's governing instrument. We have not, and will not, evaluate whether an investment in our common stock is suitable for any particular plan. Rather, we will accept entities as stockholders if an entity otherwise meets the suitability standards.

THE ANNUAL STATEMENT OF VALUE THAT WE WILL BE SENDING TO STOCKHOLDERS SUBJECT TO ERISA AND TO CERTAIN OTHER PLAN STOCKHOLDERS IS ONLY AN ESTIMATE AND MAY NOT REFLECT THE ACTUAL VALUE OF OUR SHARES. The annual statement of value will report the value of each common stock based as of the close of our fiscal year. No independent appraisals will be obtained and the value will be based upon an estimated amount we determine would be received if our properties and other assets were sold as of the close of our fiscal year and if such proceeds, together with our other funds, were distributed pursuant to a liquidation. However, the net asset value of each share of common stock will be deemed to be $10 during this offering and for the first three years following the termination of this offering. Because this is only an estimate, we may subsequently revise any annual valuation that is provided. We cannot assure that:

- a value included in the annual statement could actually be realized by us or by our stockholders upon liquidation;

- stockholders could realize that value if they were to attempt to sell their common stock; or

- an annual statement of value would comply with any reporting and disclosure or annual valuation requirements under ERISA or other applicable law. We will stop providing annual statements of value if the common stock becomes listed for trading on a national stock exchange or included for quotation on a national market system.

CAUTIONING NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements that reflect management's expectations and projections about our future results, performance, prospects and opportunities. We have attempted to identify these forward-looking statements by using words such as "may," "will," "expects," "anticipates," "believes," "intends," "expects," "estimates," "could" or similar expressions. These forward-looking statements are based on information currently available to us and are subject to a number of known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. These factors include, among other things, and are detailed on the previous pages:

- our common stock is not currently listed or traded on an exchange and cannot be readily sold;

- although we anticipate that aggregate borrowings will not exceed 55% of the combined fair market value of our properties, our charter imposes a limitation on our borrowings of less than 300% of net assets and there are risks associated with a high amount of leverage;

- we have no ownership in our business manager/advisor and the business manager/advisor is owned by our sponsor or their affiliates;

- our business manager/advisor and its affiliates will receive substantial fees, including participation in proceeds from the sales, refinancing or liquidation of our assets;

- our business manager/advisor, property managers and two of our directors are subject to conflicts of interest as a result of their affiliation with The Inland Group, including conflicts of interest relating to:

  - the negotiation of the terms of the advisor and property management agreements;

  - the allocation of their time between us and their other business ventures;

  - decisions whether to acquire and dispose of properties

  - the purchase and sale of properties to or from the business manager/advisor and our affiliates; and

  - the allocation of investment opportunities between us and their other business ventures.

- we may make distributions that include a return of principal for federal tax purposes;
- there are limits on ownership, transferability and redemption of shares;
- our investment policies and strategies may be changed without stockholder consent;
- our investments may lack geographic diversification; and
- risks that incentive structure of fees payable to our business manager/advisor and its affiliates may encourage our business manager/advisor to make investments that have greater risks to generate higher fees.

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You should not place undue reliance on any forward-looking statements. Except as otherwise required by federal securities laws, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or any other reason after the date of this prospectus.

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HOW WE OPERATE

We operate as a REIT for federal and state income tax purposes. Our sponsor is Inland Real Estate Investment Corporation. Our sponsor was instrumental in our organization.

We contract with Inland Western Retail Real Estate Advisory Services, Inc. for its services as our business manager/advisor. Our business manager/advisor has the responsibility for our day-to-day operations and the management of our assets.

In addition to the services of our business manager/advisor, we contract with Inland US Management LLC, Inland Southwest Management LLC and Inland Pacific Management LLC for their services as our property managers. Inland US Management LLC, Inland Southwest Management LLC and Inland Pacific Management LLC provide the day-to-day property management services for all of our properties.

Our sponsor, Inland Real Estate Investment Corporation, is owned by The Inland Group, Inc. Our business manager/advisor Inland Western Retail Real Estate Advisory Services, Inc., is owned by our sponsor, and thus is indirectly controlled by The Inland Group. In addition, our property managers, Inland US Management LLC, Inland Southwest Management LLC and Inland Pacific Management LLC, are owned by individuals who are affiliates of the Inland Group.

The Inland Group, together with its subsidiaries and affiliates, is a fully-integrated group of legally and financially separate companies that have been engaged in diverse facets of real estate for over 35 years providing the following and other related services:

Property management	Leasing

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     Marketing                    Acquisition
     Disposition                  Development
     Redevelopment                Syndication
     Renovation                   Construction
     Finance                      Other related services
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The following organizational chart depicts the services that affiliates or our sponsor will render to us and our organizational structure.

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The following organizational chart depicts the services that affiliates or our sponsor will render to us and our organizational structure.

ORGANIZATIONAL CHART

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               ------------------          ---------           ---------           ---------
               Daniel L. Goodwin*          Robert H.           G. Joseph           Robert D.
                                             Baum*              Cosenza*             Parks*
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                       ||                      ||                  ||                  ||
=================================================================================================
    ||          ||          ||          ||
----------  ----------  ----------  ----------
  Inland      Inland      Inland      Inland
Northwest   Southwest    Western     Pacific                                                 ----
Management  Management  Management  Management                                               THE
  Corp.       Corp.       Corp.       Corp.                                                  ----
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           Inland Holdco Management LLC              The Inland Services         Inland Real
                                                        Group, Inc.     Estate Investment Corpor
                                                                               (our sponsor)
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    |                 |                  |                    ||                              ||
    |                 |                  |                    ||                              ||
----------    ----------------    --------------              ||                              ||
Inland US     Inland Southwest    Inland Pacific              ||                              ||
Management        Property           Property           ---------------                       ||
   LLC           Management         Management          Inland Risk and                       ||
(property           LLC                LLC                 Insurance                          ||
 manager)        (property          (property             Management                          ||
                  manager)           manager)            Services, Inc.                       ||
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    |                |                   |                     |                              ||
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       |                 |      Inland Securities   Inland Western Retail Real   Inland Partn
       |                 |         Corporation    Estate Advisory Services, Inc.   Property S
       |                 |                        (our business manager/advisor)    Corporati
       |                 |      ----------------- ------------------------------ ------------
       |                 |          |                  |
       |                 |          |                  |        =========================
       |                 |          |                  |        ||           ||
       |                 |          |                  |        ||       -----------
       |           ------------     |                  |    -----------  Inland Real  --------
       |             Insurance      |                  |    Inland Real    Estate        Inla
       |             Services       |                  |      Estate     Development      Es
       |           ------------     |                  |    Sales, Inc.  Corporation  Acquisit
       |                 |          |                  |    -----------  -----------  --------
       |                 |          |                  |         |            |
       |                 |          |                  |   --------------     |
       |                 |          |                  |    Real Estate       |
-----------------------  |          |                  |   Sales Services     |
Property Management and  |          |                  |   --------------     |
    Related Services     |          |                  |         |            |
-----------------------  |          |                  |         |            |
       |                 |          |                  |         |            |
       |                 |          |                  |         |            |
       |                 | ----------------  -----------------   |    ----------------    ---
       |                 | Securities Sales    Organization,     |    Construction and     Pr
       |                 |                   Advisory and Real   |      Development       Acq
       |                 |                    Estate Services    |        Services         Se
       |                 | ----------------  -----------------   |    ----------------    ---
       |                 |          |                  |         |            |
       |                 |          |                  |         |            |
       |                 |          |                  |         |            |
----------------------------------------------------------------------------------------------
                                  Inland Western Retail Real Estate Trust, Inc.
                We are principally owned by public investors. Ownership is represented by shares
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Solid lines indicate 100% ownership. Broken lines indicate service.

* The four indicated individuals control The Inland Group, Inc. and own substantially all of its stock.

CONFLICTS OF INTEREST

We are subject to conflicts of interest arising out of our relationship with our sponsor, our business manager/advisor and their affiliates. All of our agreements and arrangements with our business manager/advisor and its affiliates, including those relating to compensation, are not the result of arm's length negotiations. Some of the conflicts inherent in our transactions with our business manager/advisor and its affiliates, and the limitations on our business manager/advisor adopted to address these conflicts, are described below. Our business manager/advisor and its affiliates will try to balance our interests with their own. However, to the extent that our business manager/advisor or its affiliates take actions that are more favorable to other entities than to us, these actions could have a negative impact on our financial performance and, consequently, on distributions to you and the value of our stock. In addition, our directors and officers and security holders may engage for their own account in business activities of the types conducted or to be conducted by us and our subsidiaries.

THERE MAY BE CONFLICTING INVESTMENT OPPORTUNITIES AMONG AFFILIATES OF OUR BUSINESS MANAGER/ADVISOR AND THE INLAND GROUP. Affiliates of our business manager/advisor and The Inland Group have sponsored multiple previous investment programs. Our sponsor may also sponsor other programs which may have investment objectives similar to ours. Therefore, our sponsor, our business manager/advisor and their affiliates could face conflicts of interest in determining which investment programs will have the first opportunity to acquire real properties and other assets as they become available.

In order to address this situation, we have an agreement with our business manager/advisor, some of its affiliates, and Inland Retail Real Estate Trust, Inc., another REIT sponsored by our sponsor. This agreement gives us the right to purchase property in our primary geographic area of investment, which includes the states west of the Mississippi River, placed under contract by our business manager/advisor or any of its affiliates, if we are able to close the purchase within 60 days. Similarly, Inland Retail Real Estate Trust, Inc. has the first opportunity to purchase properties in its primary geographical area of investment, which is located in states east of the Mississippi.

IN THE SITUATION INVOLVING SINGLE USER NET LEASED RETAIL PROPERTY LOCATED ANYWHERE WITHIN THE UNITED STATES, AND BOTH OF US HAVE FUNDS AVAILABLE TO MAKE THE PURCHASE, THE PROSPECTIVE PROPERTY WILL FIRST BE OFFERED TO INLAND RETAIL REAL ESTATE TRUST, INC. IF INLAND RETAIL REAL ESTATE TRUST, INC. DOES NOT PURCHASE THE PROSPECTIVE PROPERTY, IT WILL THEN BE OFFERED TO US.

Factors which may be considered in connection with evaluating the suitability of the prospective property or other asset for investment by a particular investment program include:

- the effect of the acquisition on the diversification of each program's portfolio;
- the amount of funds available for investment;
- cash flow; and
- the estimated income tax effects of the purchase and subsequent disposition.

We currently focus on purchase of properties in the states west of the Mississippi River which is outside Inland Retail Real Estate Trust Inc.'s primary geographic area of investment. We have acquired and will continue to acquire properties east of the Mississippi River. However, if any conflicts do arise, they will be resolved as provided in the agreement with our business manager/advisor discussed above.

All actions taken by our business manager/advisor or its affiliates which present potential conflicts with us will be APPROVED BY A MAJORITY OF OUR INDEPENDENT DIRECTORS.

WE MAY ACQUIRE PROPERTIES FROM AFFILIATES OF OUR SPONSOR. The prices we pay to affiliates of our sponsor for these properties will be equal to the prices paid by them, plus the costs incurred by them relating to the acquisition and financing of the properties. These prices will not be the subject of arm's length negotiations, which could mean that the acquisitions may be on terms less favorable to us than those negotiated in an arm's-length transaction. However, our articles of incorporation provide that the purchase price of any property acquired from an affiliate may not exceed its fair market value as determined by a competent independent appraiser. In addition, the price must be approved by a majority of our directors who have no financial interest in the transaction. If the price to us exceeds the cost paid by our affiliate, there must be substantial justification for the excess cost.

WE MAY PURCHASE REAL PROPERTIES FROM PERSONS WITH WHOM AFFILIATES OF OUR BUSINESS MANAGER/ADVISOR HAVE PRIOR BUSINESS RELATIONSHIPS. We may purchase properties from third parties who have sold properties in the past, or who may sell properties in the future, to our business manager/advisor or its affiliates. If we purchase properties from these third parties, our business manager/advisor will experience a conflict between our current interests and its interest in preserving any ongoing business relationship with these sellers. Nevertheless, our business manager/advisor has a fiduciary obligation to us.

PROPERTY MANAGEMENT SERVICES ARE BEING PROVIDED BY COMPANIES OWNED PRINCIPALLY BY AFFILIATES OF THE INLAND GROUP. Our property managers, which are owned principally by individuals who are our affiliates, provide property management services to us pursuant to management services agreements which we can terminate only in the event of gross negligence or willful misconduct on the part of the property managers. However, our property management services agreements provide that we pay our property managers a monthly management fee of no greater than 90% of the fee which would be payable to an unrelated third party providing such services. In addition, the business manager/advisor and the property managers believe that the property managers have sufficient personnel and other required resources to discharge all responsibilities to us.

OUR BUSINESS MANAGER/ADVISOR AND ITS AFFILIATES RECEIVE COMMISSIONS, FEES AND OTHER COMPENSATION BASED UPON OUR INVESTMENTS. We believe that the compensation we will pay to our business manager/advisor and its affiliates is no more than what we would pay for similar services performed by independent firms. Some compensation is payable whether or not there is cash available to make distributions to our stockholders. To the extent this occurs, our business manager/advisor and its affiliates benefit from us retaining ownership of our assets and leveraging our assets, while our stockholders may be better served by sale or disposition or not leveraging the assets. In addition, the business manager/advisor's ability to receive fees and reimbursements depends on our continued investment in properties and in other assets which generate fees. Our business manager/advisor receives fees based on the book value including acquired intangibles of the properties under management. Our property managers receive fees based on the income from properties under management. Therefore, our business manager/advisor and/or property managers may recommend that we purchase properties that generate fees for our business manager/advisor and property managers, but are not necessarily the most suitable investment for our portfolio. In addition, our affiliates, who receive fees, including our business manager/advisor, may recommend that we acquire properties, which may result in our incurring substantive amounts of indebtedness. Therefore, the interest of the business manager/advisor and its affiliates in receiving fees may conflict with the interest of our stockholders in earning income on their investment in our common stock. Our business manager/advisor and its affiliates recognize that they have a fiduciary duty to us and our stockholders, and have represented to us that their actions and decisions will be made in the manner most favorable to us and our stockholders.

While we will not make loans to our business manager/advisor or its affiliates, we may borrow money from them for various purposes, including funding working capital requirements. If we do, the terms, such as the interest rate, security, fees and other charges, will be at least as favorable to us as those which would be charged by unaffiliated lending institutions in the same locality on comparable loans. Any money borrowed from an affiliate of The Inland Group is expected to be repaid within 180 days.

Our business manager/advisor and its affiliates may do business with others who do business with us, although presently there are no instances of this. However, our business manager/advisor or its affiliates may not receive rebates or participate in any reciprocal business arrangements which would have the effect of circumventing our agreement with our business manager/advisor.

OUR BUSINESS MANAGER/ADVISOR MAY HAVE CONFLICTING FIDUCIARY OBLIGATIONS IF WE ACQUIRE PROPERTIES WITH ITS AFFILIATES. Our business manager/advisor may cause us to acquire an interest in a property through a joint venture with its affiliates. In these circumstances, our business manager/advisor will have a fiduciary duty to both us and its affiliates participating in the joint venture. In order to minimize the conflict between these fiduciary duties, the advisory agreement provides guidelines for investments in joint ventures with affiliates. In addition, our articles of incorporation require a majority of our disinterested directors to determine that the transaction is fair and reasonable to us and is on terms and conditions no less favorable than from unaffiliated third parties entering into the venture.

THERE IS COMPETITION FOR THE TIME AND SERVICES OF OUR BUSINESS MANAGER/ADVISOR. We rely on our business manager/advisor and its affiliates for our daily operation and the management of our assets. Personnel of our business manager/advisor and its affiliates have conflicts in allocating their management time, services and functions among the real estate investment programs they currently service and any future real estate investment programs or other business ventures which they may organize or serve. Our business manager/advisor and its affiliates believe they have enough staff to perform their responsibilities in connection with all of the real estate programs and other business ventures in which they are involved.

INLAND SECURITIES CORPORATION IS PARTICIPATING AS MANAGING DEALER IN THE SALE OF THE SHARES. Inland Securities Corporation is the managing dealer of the offering and is affiliated with The Inland Group. The managing dealer is entitled to selling commissions and reimbursement for marketing and due diligence expenses. The managing dealer may be subject to a conflict of interest arising out of its participation in this offering and its affiliation with The Inland Group in performing its "due diligence" obligations which arise under the Securities Act of 1933. However, the managing dealer believes it has and will continue to properly perform these "due diligence" activities.

WE MAY ACQUIRE THE BUSINESS OF OUR BUSINESS MANAGER/ADVISOR AND OUR PROPERTY MANAGERS WITHOUT FURTHER ACTION BY OUR STOCKHOLDERS. During the term of our agreements with our business manager/advisor and our property managers, we have the option to acquire or consolidate the business conducted by them without any consent of our stockholders, our business manager/advisor or our property managers. We may elect to exercise this right at any time after September 15, 2008. Before this date, we need the consent of the business manager/advisor and the property managers to exercise this right. Our decision to exercise this right will be determined by a vote of a majority of our disinterested directors. Our business manager/advisor and our property managers and their shareholders will receive shares of our common stock in the acquisition. The transaction will occur, if at all, only if the board of directors obtains a fairness opinion from a recognized financial valuation service provider to the effect that the consideration to be paid is fair, from a financial point of view, to our stockholders. We will be obligated to pay any fees accrued under any contractual arrangements we have with the business manager/advisor and/or the property managers for services rendered through the closing of such acquisitions.

WE DO NOT HAVE ARM'S-LENGTH AGREEMENTS. As we have noted, our agreements and arrangements with our business manager/advisor or any of its affiliates, including those relating to compensation, are not the result of arm's length negotiations, but we believe these agreements and arrangements approximate the terms of arm's length transactions.

COMPENSATION TABLE

The compensation arrangements between us and our business manager/advisor, The Inland Group and its affiliates, were not determined by arm's-length negotiations. See "Conflicts of Interest." The following table discloses the compensation which we may pay our business manager/advisor and its affiliates. In those instances in which there are maximum amounts or ceilings on the compensation which may be received, our business manager/advisor and its affiliates may not recover any excess amounts for those services by reclassifying them under a different compensation or fee category.

We define net income as total revenues less expenses other than additions to reserves for depreciation or bad debts or other similar non-cash reserves. When we use the term "net income" for purposes of calculating some expenses and fees, it excludes the gain from the sale of our assets. This definition of net income is prescribed by the Statement of Policy Regarding REITs adopted by the North American Securities Administrators Association, Inc., or NASAA; but it is not in accordance with generally accepted accounting principles in the United States, because depreciation and other non-cash reserves are not deducted in determining net income under the NASAA REIT Statement. Excluding depreciation will result in not reimbursing our business manager/advisor for a non-cash expenditure and not excluding the gain from the sale of our assets could result in greater net income on which the 25% reimbursement to our business manager/advisor is allowed.

NONSUBORDINATED PAYMENTS

The following aggregate amounts of compensation, allowances and fees we may pay to our business manager/advisor and its affiliates are not subordinated to the returns on net investments that we are required to pay to our stockholders.

TYPE OF COMPENSATION AND RECIPIENT	METHOD OF COMPENSATION	
	OFFERING STAGE	
Selling commissions payable to the managing dealer and dealers designated by the managing dealers referred to as soliciting dealers.	We will pay a selling commission of 7.5% of the sale price for each share (and reallow 7%), subject to reduction for special sales under the circumstances as described in the "Plan of Distribution - Compensation - We Will Pay For the Sale of Our Shares." We will permit the managing dealer and its respective officers and employees and certain of its affiliates to purchase shares net of sales commissions and the marketing allowance and due diligence expense allowance or for $8.95 per share; however, any subsequent purchases of shares by any such persons are	Throug we hav in sel connec public to sel our co per sh public amount offeri amount total sellin

	limited to a maximum discount of 5%.	paid i is sol specia

TYPE OF COMPENSATION AND RECIPIENT	METHOD OF COMPENSATION	
	Also, soliciting dealers and their respective officers and employees and certain of their respective affiliates who request and are entitled to purchase shares net of selling commissions may make an initial purchase of shares net of sales commissions or for $9.30 per share; however, any subsequent purchases of shares by any such persons are limited to a maximum discount of 5%.	
Marketing allowance and due diligence expense allowance paid to the managing dealer and soliciting dealers.	We will pay an amount equal to 2.5% of the gross offering proceeds to the managing dealer, all or a portion of which may be passed on to soliciting dealers, in lieu of reimbursement of specific expenses associated with marketing. We may pay an additional 0.5% of the gross offering proceeds to the managing dealer, which may be passed on to the soliciting dealers, for due diligence expenses. We will not pay the marketing allowance and due diligence expense allowance in connection with any special sales, except those receiving volume discounts and those described in "Plan of Distribution - Volume Discounts."	Throug we hav in mar due di allowa our in The ac market dilige in con offeri number there and we number approx will b market due di allowa

TYPE OF COMPENSATION AND RECIPIENT	METHOD OF COMPENSATION	
Reimbursable expenses and other expenses of issuance and distribution	We expect to incur the following expenses in connection with this offering: Securities and Exchange Commission registration Fee $ 340,823	All am Securi Commis and th estima amount cannot

			presen
NASD filing fee	$	30,500	the to
Printing and mailing			issuan
expenses	$	4,250,000	expens
			$13,30
Blue Sky fees and			Septem
expenses	$	136,000	incurr
			reimbu
Legal fees and expenses	$	900,000	busine
Accounting fees and			connec
expenses	$	650,000	public
			additi
Advertising and sales			2003,
literature	$	5,500,000	manage
			an agg
Transfer Agent fees	$	800,000	$1,763
			offeri
Data processing fees	$	500,000	non-af
			in con
Bank fees and other			initia
administrative expenses	$	200,000	of whi

If the aggregate of all offering expenses, including selling commissions, the marketing allowance and due diligence expense allowance, exceeds 15% of the gross offering proceeds, of if the aggregate of all offering expenses, excluding the selling expenses, exceeds 5.5% of the gross offering proceeds, our business manager/advisor or its affiliates will promptly pay the excess and we will have no liability for these expenses at any time afterward.

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TYPE OF COMPENSATION AND RECIPIENT	METHOD OF COMPENSATION	
Acquisition expenses paid to our business manager/advisor's affiliates, Inland Real Estate Acquisitions, Inc. and The Inland Real Estate Group, Inc.	We will pay an amount, estimated to be up to 0.5% of the total of (1) the gross offering proceeds from the sale of 250,000,000 shares, (2) the gross proceeds from the sale of up to 20,000,000 shares pursuant to the distribution reinvestment programs. The acquisition expenses for any particular property will not exceed 6% of the gross purchase price of the property.	We may $13,45 reimbu expens number all of are so distri progra
	However, if we request additional services, the compensation will be provided on separate	Howeve cannot

	agreed-upon terms and the rate will be approved by a majority of disinterested directors, including a majority of the disinterested independent directors, as fair and reasonable for us.	presen
Interest expenses paid to our business manager/advisor and Inland Mortgage Corporation in connection with loans.	We may borrow money from our business manager/advisor and its affiliates in order to acquire properties. In such instances, we will pay our business manager/advisor and its affiliates interest at prevailing market rates.	The ac depend borrow amount at the
	OPERATIONAL STAGE	
Property management fee paid to our property managers, Inland US Management LLC, Inland Southwest Management LLC and Inland Pacific Management LLC. We will pay the fee for services in connection with the rental, leasing, operation and management of the properties.	We will pay a monthly fee of 4.5% of the gross income from the properties. We will also pay a monthly fee for any extra services equal to no more than 90% of that which would be payable to an unrelated party providing the services. The property managers may subcontract their duties for a fee that may be less than the fee provided for in the management services agreements.	For th 31, 20 ended have i proper $16,62 which were r Manage Southw Inland LLC. I busine manage proper proper cease. will i depend operat cannot presen

TYPE OF COMPENSATION AND RECIPIENT	METHOD OF COMPENSATION	------
Reimbursable expenses to our business manager/advisor. These may include costs of goods and services, administrative services and non-supervisory services performed directly for us by independent parties.	We will reimburse some expenses of the business manager/advisor. The compensation and reimbursements to our business manager/advisor will be approved by a majority of our directors and a majority of our independent directors as fair and reasonable for us.	The ac depend operat cannot presen
We will reimburse some expenses of the Inland Risk and Insurance Management Services for insurance coverage.	Inland Risk and Insurance Management Services charges us $50 per hour for assistance in obtaining insurance coverage. Any commissions they receive are credited against this hourly rate. We believe this hourly rate is approximately 90% of the rate charged by unaffiliated third parties. The	The ac depend operat cannot presen

	compensation to this company will be approved by a majority of our directors and a majority of our independent directors as fair and reasonable for us.	
We will compensate the Inland Mortgage Servicing Corporation and Inland Mortgage Investment Corporation for purchase, sale and servicing of mortgages	Inland Mortgage Servicing Corporation charges us .03% per year on the first billion dollars of mortgages serviced and .01% thereafter. Inland Mortgage Investment Corporation charges us .02% of the principal amount of each loan placed. The compensation to these companies will be approved by a majority of our directors and a majority of our independent directors as fair and reasonable for us.	For th 31, 20 months 2004 w paid $ Inland Corpor ended the ni Septem incurr and $2 Mortga Corpor amount future result cannot presen

LIQUIDATION STAGE

Property disposition fee payable to our business manager/advisor's affiliates, Inland Real Estate Sales, Inc. and Inland Partnership Property Sales Corp.	We may pay a property disposition fee to our business manager/advisor and its affiliates if we sell any of our real property in an amount equal to the lesser of: 1. 3% of the contract sales price of the property; or 2. 50% of the customary commission which would be paid to a third party broker for the sale of a comparable property. The amount paid, when added to the sums paid to unaffiliated parties, will not exceed either the customary commission or an amount equal to 6% of the contracted for sales price. Payment of such fees will be made only if the business manager/advisor provides a substantial service in connection with the sale of the property. See "Management -- Our Advisory Agreement."	The ac receiv price theref determ time. busine proper cease.

SUBORDINATED PAYMENTS

We may pay the following additional fees to our business manager/advisor after returns on net investment have been paid to the stockholders:

TYPE OF COMPENSATION AND RECIPIENT	METHOD OF COMPENSATION	EST
	OPERATIONAL STAGE	
Advisor asset management fee payable to our business manager/advisor.	We pay an annual advisor asset management fee of not more than 1% of our average assets. Our average assets means the average of the total book value including acquired intangibles of our real estate assets plus the total value of our loans receivables secured by real estate, before reserves for depreciation or bad debts or other similar non-cash reserves. We will compute our average assets by taking the average of these values at the end of each month during the quarter for which we are calculating the fee. The fee is payable quarterly in an amount equal to 1/4 of 1% of average assets as of the last day of the immediately preceding quarter. For any year in which we qualify as a REIT, our business manager/advisor must reimburse us for the following amounts if any:	The ac receiv price theref determ time. busine adviso will c

	(1) the amounts by which our total operating expenses, the sum of the advisor asset management fee plus other operating expenses, paid during the previous fiscal year exceed the greater of: - 2% of our average assets for that fiscal year, or - 25% of our net income for that fiscal year. (2) plus an amount, which will not exceed the advisor asset management fee for that year, equal to any difference between the total amount of distributions to stockholders for that year and the 6% annual return on the net investment of stockholders. Items such as organization and offering expenses, property expenses, interest payments, taxes, non-cash expenditures, the incentive advisory fee and acquisition expenses are excluded from the definition of total operating expenses. See "Management -- Our Advisory Agreement" for an explanation of circumstances where the excess amount specified in clause (1) may not need to be reimbursed.	

Incentive advisory fee payable to our business manager/advisor.	We will pay to the business manager/advisor an amount equal to 15% of the net proceeds from the sale of a property after the stockholders have first received: (1) a cumulative non-compounded return equal to 10% a year on their net investment; and (2) their net investment.	The ac receiv price theref determ time. consol conduc manage incent termin

COMPENSATION TO OFFICERS AND DIRECTORS

We expect to pay the following to our directors (as our officers are not paid directly by us):

TYPE OF COMPENSATION AND RECIPIENT	METHOD OF COMPENSATION	ESTIMATED MAX DOLLAR AMOU
Director fees	Independent directors receive an annual fee of $5,000 (increased to $10,000 effective October 1, 2004) and a fee of $500 for attending each meeting of the board or one of its committees in person and $350 for attending a meeting via the telephone. Our officers who are also our directors do not receive director fees.	We will pay the fiv directors $25,000 i (increased to $50,0 October 1, 2004), p attending meetings. 30, 2004 our five i directors were paid aggregate of $105,5 amounts to be recei meetings depends up meetings and their therefore, cannot b present time.
Stock options to independent directors	Each independent director receives - an initial option to purchase 3,000 shares of common stock at a price of $8.95 per share, when they become an independent director, subject to some conditions; and - each year on the date of the stockholders' annual meeting, an additional option to purchase 500 shares of common stock at an exercise price equal to the then fair market value per share. For additional information on this option plan, see "Management --	This form of compen in cash.

Independent Director Stock
Option Plan."

ESTIMATED USE OF PROCEEDS

The amounts listed in the table below represent our current estimates concerning the use of the offering proceeds. Since these are estimates, they may not accurately reflect the actual receipt or application of the offering proceeds. The amounts assume:

- we sell the maximum of 250,000,000 shares in this offering at $10 per share; and

- we sell the maximum of 20,000,000 shares in our distribution reinvestment program at $9.50 per share.

Under this scenario we have not given effect to any special sales or volume discounts which could reduce selling commissions.

	MAXIMUM OFFERIN (INCLUDING SHARES SOLD DISTRIBUTION REINVESTMEN
	AMOUNT
Gross proceeds	$ 2,690,000,000
Less expenses:	
Selling commissions	187,500,000
Marketing allowance	62,500,000
Due diligence expense allowance	12,500,000
Organization and offering	13,307,000
Total expenses	275,807,000
Gross amount available	2,414,193,000
Less:	
Acquisition expenses	13,450,000
Working capital reserve	26,900,000
Net cash available	$ 2,373,843,000

We will pay the managing dealer cash selling commissions of up to 7.5% on all of the 250,000,000 shares of common stock sold on a best efforts basis. No selling commission is paid on shares sold through our distribution reinvestment program.

PRIOR PERFORMANCE OF OUR AFFILIATES

PRIOR INVESTMENT PROGRAMS

During the 10-year period ending September 30, 2004, The Inland Group and its affiliates have sponsored two other REITs and 30 real estate exchange private placements, which altogether have raised more than $3,132,378,000 from over 73,000 investors. During that period, Inland Real Estate Corporation and Inland Retail Real Estate Trust, Inc., the other REITs, have raised over $2,980,790,000 from over 73,000 investors. Inland Real Estate Corporation and Inland Retail Real Estate Trust, Inc. have investment objectives and policies similar to ours and have invested principally in shopping centers that provide sales of convenience goods and personal services to neighboring communities in the Midwest and Southeast areas. However, Inland Real Estate Corporation is now a self-administered REIT and is no longer affiliated with The Inland Group. Our investment objectives and policies are similar to those of several of the other prior investment programs sponsored by our affiliates which have owned and operated retail properties. However, the vast majority of the other investment programs sponsored by our affiliates were dissimilar from our operation in that the prior programs owned apartment properties, pre-development land and whole or partial interests in mortgage loans.

The information in this section and in the Prior Performance Tables included in this prospectus as APPENDIX A shows relevant summary information concerning real estate programs sponsored by our affiliates. The purpose is to provide information on the prior performance of these programs so that you may evaluate the experience of the affiliated companies in sponsoring similar programs. The following discussion is intended to briefly summarize the objectives and performance of the prior programs and to disclose any material adverse business developments sustained by them. Past performance is not necessarily indicative of future performance.

SUMMARY INFORMATION

The table below provides summarized information concerning prior programs sponsored by our affiliates for the 10-year period ending September 30, 2004, and is qualified in its entirety by reference to the introductory discussion above and the detailed information appearing in the Prior Performance Tables in APPENDIX A of this prospectus. YOU SHOULD NOT CONSTRUE INCLUSION OF THE SUCCEEDING TABLES AS IMPLYING IN ANY MANNER THAT WE WILL HAVE RESULTS COMPARABLE TO THOSE REFLECTED IN THE TABLES BECAUSE THE YIELD AND CASH AVAILABLE AND OTHER FACTORS COULD BE SUBSTANTIALLY DIFFERENT FOR OUR PROPERTIES. YOU SHOULD NOTE THAT BY ACQUIRING OUR SHARES, YOU WILL NOT BE ACQUIRING ANY INTERESTS IN ANY PRIOR PROGRAMS.

	INLAND RETAIL REAL ESTATE TRUST, INC. REIT PROGRAM AS OF SEPTEMBER 30, 2004	INLAND REAL ESTAT CORPORATION REIT PROGRAM AS OF SEPTEMBER 30, 2004
Number of programs sponsored	1	
Aggregate amount raised from investors	$ 2,279,622,000	701,168,00
Approximate aggregate number of investors	59,000	14,00

Number of properties purchased	274	14
Aggregate cost of properties	$ 4,053,516,000	1,276,000,00
Number of mortgages/notes	0	
Principal amount of mortgages/notes	$ 0	
Principal of properties (based on cost) that were:		
Commercial--		
Retail	90.00%	86.0
Single-user net-lease	10.00%	14.0
Nursing homes	0.00%	0.0
Offices	0.00%	0.0
Industrial	0.00%	0.0
Health clubs	0.00%	0.0
Mini-storage	0.00%	0.0
Total commercial	100.00%	100.0
Multi-family residential	0.00%	0.0
Land	0.00%	0.0
Percentage of properties (based on cost) that were:		
Newly constructed (within a year of acquisition)	37.00%	40.0
Existing construction	63.00%	60.0
Number of properties sold in whole or in part	0	1
Number of properties exchanged	0	

Of the programs included in the above table, Inland Real Estate Corporation and Inland Retail Real Estate Trust, Inc. have investment objectives similar to ours. Inland Real Estate Corporation and Inland Retail Real Estate Trust, Inc. represent approximately 97% of the aggregate amount raised from investors, approximately 99% of the aggregate number of investors, approximately 95% of the properties purchased, and approximately 95% of the aggregate cost of the properties.

During the three years prior to September 30, 2004, Inland Real Estate Corporation purchased 26 commercial properties and Inland Retail Real Estate Trust, Inc. purchased 249 commercial properties. Upon written request, you may obtain, without charge, a copy of Table VI filed with the Securities and Exchange Commission in Part II of our prospectus. The table provides more information about these acquisitions.

PUBLICLY REGISTERED REITS

INLAND REAL ESTATE CORPORATION. Through a total of four public offerings, the last of which was completed in 1999, Inland Real Estate Corporation sold a total of 51,642,397 shares of common stock. In addition, as of September 30, 2004, Inland Real Estate Corporation issued 14,293,208 shares of common stock through its distribution reinvestment program. As of September 30, 2004, Inland Real Estate Corporation repurchased 5,256,435 shares of common stock through its share repurchase program for an aggregate amount of $49,159,202. As a result, Inland Real Estate Corporation has realized total gross offering proceeds of approximately $701,168,000 as of September 30, 2004. On June 9, 2004, Inland Real Estate Corporation listed its shares on the New York Stock Exchange and began trading under the ticker "IRC".

Inland Real Estate Corporation's objective is to purchase shopping centers that provide convenience goods, personal services, wearing apparel and hardware and appliances located within an approximate 400-mile radius of its headquarters in Oak Brook, Illinois, and to provide, at a minimum, cash distributions on a quarterly basis and a hedge against inflation through capital appreciation. It may also acquire single-user retail properties throughout the United States. As of September 30, 2004, the properties owned by Inland Real Estate Corporation were generating sufficient cash flow to cover operating expenses plus pay an annual cash distribution of $0.94 per share paid monthly.

As of September 30, 2004, Inland Real Estate Corporation owned interests in 139 properties for a total investment of approximately $1,325,000,000. These properties were purchased with proceeds received from the above described offerings of shares of its common stock and financings. As of September 30, 2004, Inland Real Estate Corporation financed approximately $641,370,000 on its properties and had $110,000,000 outstanding through an unsecured line of credit.

On July 1, 2000, Inland Real Estate Corporation became a self-administered REIT by completing its acquisition of Inland Real Estate Advisory Service, Inc., its advisor, and Inland Commercial Property Management, Inc., its property manager. The acquisition was accomplished by merging its advisor and its property manager into two wholly owned subsidiaries of Inland Real Estate Corporation. As a result of the merger, Inland Real Estate Corporation issued to our sponsor, the sole shareholder of the advisor, and The Inland Property Management Group, Inc., the sole shareholder of its property manager, an aggregate of 6,181,818 shares of Inland Real Estate Corporation's common stock at $11 per share, or approximately 9.008% of its common stock.

INLAND RETAIL REAL ESTATE TRUST, INC. Through a total of three public offerings, the last of which was completed in 2003, Inland Retail Real Estate Trust, Inc. sold a total of 213,699,534 shares of its common stock. In addition, as of September 30, 2004, Inland Retail Real Estate Trust, Inc. issued 18,653,894 shares through its distribution reinvestment program, and has repurchased a total of 3,087,940 shares through the share reinvestment program. As a result, Inland Retail Real Estate Trust Inc. has realized total gross offering proceeds of approximately $2,279,622,000 as of September 30, 2004.

Inland Retail Real Estate Trust, Inc.'s objective is to purchase shopping centers east of the Mississippi River in addition to single-user retail properties in locations throughout the United States, and to provide regular cash distributions and a hedge against inflation through capital appreciation. As of September 30, 2004, the properties owned by Inland Retail Real Estate Trust, Inc. were generating sufficient cash flow to cover operating expenses plus pay an annual cash distribution of $.83 per share per annum paid monthly.

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As of September 30, 2004, Inland Retail Real Estate Trust, Inc. owned 274 properties for a total investment of approximately $4,053,516,000. These properties were purchased with proceeds received from the above described offerings of shares of its common stock and financings. As of September 30, 2004, Inland Retail Real Estate Trust, Inc. financed approximately $2,208,835,000 on its properties.

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The following table summarizes distributions for each of the publicly registered REITS through September 30,2004:

REIT PERFORMANCE
Distributions through September 30, 2004

INLAND REAL ESTATE CORPORATION
OFFERING COMPLETED 1999

	Total Distribution ($)	Ordinary Income ($) *	Non-taxable Distribution ($) **	Capital Gain Distribution ($) ***	Average Annualized Distribution for Purchases at $10 per Share ($)	Aver Annual Distrib for Pur at $11 Sha ($
1995	736,627	694,213	42,414	-	7.6	N/
1996	3,704,943	3,093,525	611,418	-	8.1	N/
1997	13,127,597	9,739,233	3,388,364	-	8.6	N/
1998	35,443,213	27,015,143	8,428,070	-	8.8	7.
1999	48,379,621	35,640,732	12,738,889	-	8.9	8.
2000	52,964,010	40,445,730	12,518,280	-	9.0	8.
2001	58,791,604	45,754,604	12,662,414	374,586	9.3	8.
2002	60,090,685	41,579,944	18,315,640	195,101	9.4	8.
2003	61,165,608	47,254,096	13,577,679	333,833	9.4	8.
2004	40,734,316	40,734,316	*	-	9.4	8.
	381,138,224	297,951,536	82,283,168	903,520		

INLAND RETAIL REAL ESTATE TRUST, INC.
OFFERING COMPLETED 2003

	Total Distribution ($)	Ordinary Income ($) *	Non-taxable Distribution ($) **	Average Annualized Distribution (%)
1999	1,396,861	318,484	1,078,377	7.2
2000	6,615,454	3,612,577	3,002,877	7.7
2001	17,491,342	10,538,534	6,952,808	8.0
2002	58,061,491	36,387,136	21,674,355	8.2
2003	160,350,811	97,571,099	62,779,712	8.3
2004	141,029,478	141,029,478	*	8.3
	384,945,437	289,457,308	95,488,129	

ON JUNE 9, 2004 INLAND REAL ESTATE CORPORATION LISTED ITS SHARES ON THE NEW YORK STOCK EXCHANGE AND BEGAN TRADING UNDER THE SYMBOL "IRC."

* The breakout between ordinary income and return of capital is finalized on an annual basis after the calendar year end.

** Represents a return of capital for federal income tax purposes.

*** Represents a capital gain distribution for federal income tax purposes.

PRIVATE PARTNERSHIPS

Since our inception and through September 30, 2004, our affiliates have sponsored 514 private placement limited partnerships which have raised more than $524,201,000 from approximately 17,000 investors and invested in properties for an aggregate price of more than $1 billion in cash and notes. Of the 522 properties purchased, 93% have been in Illinois. Approximately 90% of the funds were invested in apartment buildings, 6% in shopping centers, 2% in office buildings and 2% in other properties. Including sales to affiliates, 475 partnerships have sold their original property investments. Officers and employees of our sponsor and its affiliates invested more than $17,000,000 in these private placement limited partnerships.

From October 1, 1995 through September 30, 2004, investors in The Inland Group private partnerships have received total distributions in excess of $269,026,000, consisting of cash flow from partnership operations, interest earnings, sales and refinancing proceeds and cash received during the course of property exchanges.

Following a proposal by the former corporate general partner, which was an affiliate of The Inland Group, investors in 301 private partnerships voted in 1990 to make our sponsor the corporate general partner for those partnerships.

Beginning in December 1993 and continuing into the first quarter of 1994, investors in 101 private limited partnerships for which our sponsor is the general partner received letters from it informing them of the possible opportunity to sell the 66 apartment properties owned by those partnerships to a to-be-formed REIT in which affiliates of our sponsor would receive stock and cash and the limited partners would receive cash. The underwriters of this apartment REIT subsequently advised our sponsor to sell to a third party its management and general partner's interests in those remaining limited partnerships not selling their apartment properties to the apartment REIT. Those not selling their apartment properties constituted approximately 30% of the Inland-sponsored limited partnerships owning apartment buildings. The prospective third-party buyers of our sponsor's interests in the remaining partnerships, however, would make no assurance to support those partnerships financially. As a result, in a March 1994 letter, our sponsor informed investors of its decision not to go forward with the formation of the apartment REIT.

Following this decision, two investors filed a complaint in April 1994 in the Circuit Court of Cook County, Illinois, Chancery Division, purportedly on behalf of a class of other unnamed investors, alleging that our sponsor had breached its fiduciary responsibility to those investors whose partnerships would have sold apartment properties to the apartment REIT. The complaint sought an accounting of information regarding the apartment REIT matter, an unspecified amount of damages and the removal of our sponsor as general partner of the partnerships that would have participated in the sale of properties. In August 1994, the court granted our sponsor's motion to dismiss, finding that the plaintiffs lacked standing to bring the case individually. The plaintiffs were granted leave to file an amended complaint. Thereafter, in August 1994, six investors filed an amended complaint, purportedly on behalf of a class of other investors, and derivatively on behalf of six limited partnerships of which our sponsor is the general partner. The derivative counts sought damages from our sponsor for alleged breach of fiduciary duty and breach of contract, and asserted a right to an accounting. Our sponsor filed a motion to dismiss in response to the amended complaint. The suit was dismissed in March 1995 with prejudice. The plaintiffs filed an appeal in April 1996. After the parties briefed the issue, arguments were heard by the Appellate Court in February 1997. In September 1997, the Appellate Court affirmed the trial court decision in favor of our sponsor.

Inland Real Estate Investment Corporation is the general partner of twenty-seven private limited partnerships and one public limited partnership that own corporate interests in fifteen buildings that are net leased to Kmart. The fourteen Kmarts owned by the private limited partnerships are all cross collateralized. Relating to the Kmart bankruptcy, the status of the fifteen is as follows:

- CATEGORY 1 - The leases of nine of the Kmarts are current and have been accepted by Kmart under their Chapter 11 reorganization plan.

- CATEGORY 2 - Kmart assigned its designation rights in one lease to Kohl's. The lease was amended and extended for Kohl's by IREIC, the general partner on behalf of the owners and lender; and Kohl's began paying rent February 12, 2003.

- CATEGORY 3 - Under Kmart's Chapter 11 reorganization plan and upon emergence from bankruptcy on April 22, 2003, Kmart has rejected the remaining four property leases, one of which is subject to a ground lease to Kimco. Kmart ceased paying rent as of May 1, 2003.

IREIC, the corporate general partner has agreed with the note holders who own the loan to conduct a liquidation of the 14 properties which comprise Categories 1, 2 and 3. The Category 2 property, which is leased by Kohl's, was sold on February 19, 2004. As of September 30, 2004, seven of the Category 1 K-Mart properties have been sold and the remaining two are under contract. Two of the Category 3 properties have been sold, one is under contract and one has an offer pending as of September 30, 2004.

- CATEGORY 4 - Under Kmart's Chapter 11 reorganization, Kmart rejected the lease for the property owned by the public limited partnership and ceased paying rent as of June 29, 2002. The corporate general partner plans to either re-tenant or sell this facility.

1031 EXCHANGE PRIVATE PLACEMENT OFFERING PROGRAM

In March of 2001, Inland Real Estate Exchange Corporation (IREX) was established as a subsidiary of Inland Real Estate Investment Corporation. The main objective of IREX is to provide replacement properties for people wishing to complete an IRS Section 1031 real estate exchange. Through September 30, 2004, IREX offered the sale of thirty properties with a total property value of $363,006,000.

LANDINGS OF SARASOTA DBT. Inland Southern Acquisitions, Inc., a Delaware corporation and an affiliate of IREX acquired The Landings, a multi-tenant shopping center located in Sarasota, Florida in December 1997 for $9,800,000. In August 2001, Inland Southern Acquisitions, Inc. contributed 100% of its interest in the property into Landings of Sarasota DBT, a Delaware business trust, refinanced the property with a loan of $8,000,000 from Parkway Bank & Trust Co., an Illinois banking corporation, and began offering all of its beneficial interests in the trust to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price was $12,000,000, which consisted of $8,000,000 in debt assumption and $4,000,000 in equity investment. $200,000 of the offering proceeds were allocated to a property reserve account. The offering was completed in May 2002 when the maximum offering amount was raised.

SENTRY OFFICE BUILDING, DBT, a Delaware business trust, purchased a newly constructed, single-tenant office building in Davenport, Iowa in December 2001 from Ryan Companies US Inc., a Minnesota corporation. The trust financed its acquisition of the property with a $7,500,000 first mortgage loan from Parkway Bank & Trust Co., an Illinois banking corporation. In January 2002, Sentry Office Building Corporation, a Delaware corporation and the initial beneficiary of the trust, began offering all of its beneficial interests in the trust to certain qualified persons in need of replacement properties to complete a

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1031 tax-deferred exchange. The total price was $11,000,000, which consisted of $7,500,000 in debt assumption and $3,500,000 in equity investment. $100,000 of the offering proceeds obtained from the new owners was allocated to a property reserve account. The offering was completed in April 2002 when the maximum offering amount was raised.

PETS BOWIE DELAWARE BUSINESS TRUST purchased a single-tenant retail building leased to PETsMART in Bowie, Maryland in October 2001 from PETsMART, Inc. and Wells Fargo Bank Northwest, N.A. The trust initially financed its acquisition of the property with a temporary loan of $2,625,305 from Parkway Bank & Trust Co., an Illinois banking corporation, and then replaced this loan with a permanent loan of $1,300,000 with the same lender. In May 2002, Pets Bowie Delaware Business Trust began offering all of its beneficial interests to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price was $3,900,000, which consisted of $1,300,000 in debt assumption and $2,600,000 in equity investment. $90,000 of the offering proceeds obtained from the new owners was allocated to a property reserve account. The offering was completed in July 2002 when the maximum offering amount was raised.

1031 CHATTANOOGA DBT, a Delaware business trust, acquired a retail property currently leased to Eckerd in Chattanooga, Tennessee in May 2002. The trust financed the property with a loan of $1,500,000 from Parkway Bank & Trust Co., an Illinois banking corporation. In July 2002, 1031 Chattanooga, L.L.C., the initial beneficiary of 1031 Chattanooga DBT, began offering all of the beneficial interests of the trust to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price was $3,400,000, which consisted of $1,500,000 in debt assumption and $1,900,000 in equity investment. The offering was completed in May 2003 when the maximum offering amount was raised.

LANSING SHOPPING CENTER, DBT a Delaware business trust, purchased a newly constructed, multi-tenant retail shopping center in Lansing, Illinois in June 2002 from LaSalle Bank National Association, as trustee under trust agreement dated May 22, 2001 and known as Trust No. 127294. The trust financed its acquisition of the property with a $5,900,000 first mortgage loan from Parkway Bank & Trust Co., an Illinois banking corporation. In August 2002, Lansing Shopping Center, L.L.C., a Delaware limited liability company and the initial beneficiary of Lansing Shopping Center, DBT, began offering all of the beneficial interests of the trust to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price was $10,900,000, which consisted of $5,900,000 in debt assumption and $5,000,000 in equity investment. $80,000 of the offering proceeds was allocated to a property reserve account. The offering was completed in September 2001 when the maximum offering amount was raised.

INLAND 220 CELEBRATION PLACE DELAWARE BUSINESS TRUST purchased a single-tenant office building currently leased to Walt Disney World Co., a Florida corporation, in Celebration, Osceola County, Florida, in June 2002 from Walt Disney World Co. in a sale/leaseback transaction. The trust financed its acquisition of the property with an $18,000,000 first mortgage loan from Bank of America, N.A., a national banking association. In September 2002, Inland 220

Celebration Place, L.L.C., a Delaware limited liability company and the initial beneficiary of Inland 220 Celebration Place Delaware Business Trust, began offering all of the beneficial interests of the trust to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price was $33,800,000, which consisted of $18,000,000 in debt assumption and $15,800,000 in equity investment. $50,000 of the offering proceeds was allocated to a property reserve account. The offering was completed in September 2003 when the maximum offering amount was raised.

TAUNTON CIRCUIT DELAWARE BUSINESS TRUST acquired a retail property currently leased to Circuit City in Taunton, Massachusetts in July 2002. The Trust financed the property with a first mortgage of

$2,800,000 from MB Financial Bank. In September 2002, Inland Taunton Circuit, L.L.C., the initial beneficiary of Taunton Circuit Delaware Business Trust, offered all of its interest in the trust to a qualified person in need of a replacement property to complete a 1031 tax-deferred exchange. The total price was $6,550,000, which consisted of $2,800,000 in debt assumption and $3,750,000 in equity investment. The offering was completed in September 2002.

BROADWAY COMMONS DELAWARE BUSINESS TRUST acquired a multi-tenant retail center located in Rochester, Minnesota, in July 2002. The Trust financed the property with a first mortgage of $8,850,000 from Parkway Bank & Trust Co., an Illinois banking corporation. In October 2002, Broadway Commons, L.L.C., the initial beneficiary of Broadway Commons Delaware Business Trust, began offering all of its beneficial interests in the trust to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price was $17,250,000, which consisted of $8,850,000 in debt assumption and $8,400,000 in equity investment. $100,000 of the offering proceeds was allocated to a property reserve account. The offering was completed in December 2003 when the maximum offering amount was raised.

BELL PLAZA 1031, LLC. REHAB ASSOCIATES XIII, INC., an Illinois corporation and an affiliate of IREX acquired Bell Plaza, a multi-tenant shopping center in Oak Lawn, IL on August 28, 1998 for $1,675,000. In October 2002, Rehab Associates XIII contributed 100% of its interest in the property into Bell Plaza 1031, LLC, a Delaware single member limited liability company, and then offered all of its membership interests in Bell Plaza, LLC to North Forsyth Associates, a North Carolina general partnership, which was in need of a replacement property to complete a 1031 tax-deferred exchange. The total price was $4,030,000, which consisted of $3,140,000 in debt assumption and $890,000 in equity investment. $25,000 of the offering proceeds was allocated to a property reserve account. The offering was completed in November 2002.

INLAND 210 CELEBRATION PLACE DELAWARE BUSINESS TRUST purchased a single-tenant office building, currently leased to Walt Disney World Co., a Florida corporation, in Celebration, Osceola County, Florida, in June 2002 from Walt Disney World Co .in a sale/leaseback transaction. The trust financed its acquisition of the property with a $5,700,000 first mortgage loan from Bear Stearns Commercial Mortgage, Inc. In January 2003, Inland 210 Celebration Place Delaware Business Trust sold its fee simple interest in 210 Celebration Place to Old Bridge Park Celebration, LLC, a Delaware limited liability company, which was in need of a replacement property to complete a 1031 tax-deferred exchange. The total price was $12,000,000, which consisted of $5,700,000 in debt assumption and $6,300,000 in equity investment.

COMPUSA RETAIL BUILDING. Lombard C-USA, L.L.C., a Delaware limited liability company, purchased a single-tenant retail building leased to CompUSA, Inc. in Lombard, Illinois in January 2003 from an unrelated third party. The

L.L.C. financed its acquisition of the property with a $4,000,000 loan from Bear Stearns Commercial Mortgage, Inc. In April 2003, Lombard C-USA, L.L.C. began offering 99% of the undivided tenant in common interests in the real estate and improvements thereon located at 2840 S. Highland Avenue, Lombard, DuPage County, Illinois for $3,910,500 in cash plus the assumption of the existing indebtedness to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price was $7,950,000, which consisted of $4,000,000 in debt assumption and $3,950,000 in equity investment. As required by the lender, Lombard C-USA, L.L.C. shall retain at least a 1% tenant in common interest, which is included in the $3,950,000 equity investment. $75,000 of the offering proceeds was allocated to a property reserve account. The offering was completed in February 2004 when the maximum offering amount was raised.

DEERE DISTRIBUTION FACILITY IN JANESVILLE, WISCONSIN. Janesville 1031, L.L.C., a Delaware limited liability company, purchased a single-tenant, light industrial distribution center leased to Deere &

Company, a Delaware corporation, in Janesville, Wisconsin in February 2003 from Ryan Janesville, L.L.C., a Minnesota corporation and an affiliate of Ryan Companies US, Inc. The L.L.C. financed its acquisition of the property with a $10,450,000 loan from Bear Stearns Commercial Mortgage, Inc. In May 2003, Janesville 1031, L.L.C. began offering 99% of the undivided tenant in common interests in the real estate and improvements thereon located at 2900 Beloit Avenue, Janesville, Rock County, Wisconsin for $9,949,500 in cash plus the assumption of the existing indebtedness to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price, $20,500,000, consisted of $10,450,000 in debt assumption and $10,050,000 in equity investment, 1% of which was required by the lender to be retained by Janesville 1031, L.L.C. $100,000 of the offering proceeds was allocated to a property reserve account. The offering was completed in January 2004 when the maximum offering was raised.

FLEET OFFICE BUILDING. Westminster Office 1031, L.L.C., a Delaware limited liability company, purchased a single-tenant office building leased entirely to Fleet National Bank, a national banking association, in Providence, Rhode Island in April 2003 from Fleet National Bank in a sale/leaseback transaction. The L.L.C. financed its acquisition of the property with a $12,900,000 loan from Bear Stearns Commercial Mortgage, Inc. In June 2003, Westminster Office 1031, L.L.C. began offering 99% of the undivided tenant in common interests in the real estate and improvements thereon located at 111 Westminster Street, Providence, Providence County, Rhode Island for $9,900,000 in cash plus the assumption of the existing indebtedness to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price, $22,900,000, consisted of $12,900,000 in debt assumption and $10,000,000 in equity investment, 1% of which was required by the lender to be retained by Westminster Office 1031, L.L.C. $150,000 of the offering proceeds was allocated to a property reserve account. The offering was completed in January 2004 when the maximum offering was raised.

DEERE DISTRIBUTION FACILITY IN DAVENPORT, IOWA. Davenport 1031, L.L.C., a Delaware limited liability company, purchased a single-tenant, light industrial distribution center leased to Quad Cities Consolidation and Distribution, Inc., an Illinois corporation, in Davenport, Iowa in April 2003 from Ryan Companies US, Inc., a Minnesota corporation. The lease is fully guaranteed by Deere & Company, a Delaware corporation. The L.L.C. financed its acquisition of the property with a loan from Bear Stearns Commercial Mortgage, Inc. In August 2003, Davenport 1031, L.L.C. began offering 99% of the undivided tenant in common interests in the real estate and improvements thereon located at 2900 Research Parkway, Davenport, Scott County, Iowa for $15,543,000 in cash plus the assumption of the existing indebtedness to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price, $28,200,000, consisted of $12,500,000 in debt assumption and $15,700,000 in equity investment, 1% of which was required by the lender to be retained by Davenport 1031, L.L.C. $100,000 of the offering proceeds was allocated to a property reserve account. The offering was completed in April 2004 when the maximum offering was raised.

GRAND CHUTE DST, a Delaware statutory trust, purchased a multi-tenant retail shopping center in Grand Chute, Wisconsin in October 2002 from Continental 56 Fund Limited Partnership. The trust funded the acquisition of the property with cash from the sale of 100% of the beneficial interests in the trust to Grand Chute, L.L.C., a Delaware limited liability company. Subsequent to the acquisition of the property, the trust obtained a $5,678,350 loan from Bank of America, N.A. and the proceeds of the loan were distributed to Grand Chute, L.L.C. as a partial return of its capital contribution. In January 2003, Grand Chute, L.L.C. began offering all of its beneficial interests in the trust to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price was $12,048,350 which consisted of $5,678,350 in debt assumption and $6,370,000 in equity investment. $478,350 of the offering proceeds was allocated to four separate property reserve accounts, three of which were required by the lender. In September 2003, certain information in the offering was amended and

supplemented through the release of the First Supplement to Private Placement Memorandum. The offering was completed in March 2004 when the maximum offering amount was raised.

MACON OFFICE DST, a Delaware statutory trust, purchased a single-tenant office complex in Macon, Georgia in October 2002 from UTF Macon, L.L.C. The trust funded the acquisition of the property with cash from the sale of 100% of the beneficial interests in the trust to Macon Office, L.L.C., a Delaware limited liability company. Subsequent to the acquisition of the property, the trust obtained a $5,560,000 loan from Bank of America, N.A. and the proceeds of the loan were distributed to Macon Office, L.L.C. as a partial return of its capital contribution. In October 2003, Macon Office, L.L.C. began offering all of its beneficial interests in the trust to certain qualified persons seeking a cash investment, in addition to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price was $12,160,000 which consisted of $5,560,000 in debt assumption and $6,600,000 in equity investment. $100,000 of the offering proceeds was allocated to a property reserve account. The offering was completed in March 2004 when the maximum offering amount was raised.

WHITE SETTLEMENT ROAD INVESTMENT, LLC, a Delaware limited liability company, acquired a retail property currently leased to Eckerd Corporation in Fort Worth, Texas in July 2003. The LLC funded the acquisition of the property with cash from an affiliate and with a short-term loan from Parkway Bank and Trust Co., an Illinois banking corporation, in the amount of $2,041,000. In November 2003, Fort Worth Exchange, LLC, a Delaware limited liability company and initial beneficiary of White Settlement Road Investment, LLC, offered its entire membership interest in the LLC to a qualified person in need of a replacement property to complete a 1031 tax-deferred exchange. The total price was $2,840,000, which consisted of $1,420,000 in debt assumption and $1,420,000 in equity investment. The offering was completed in December 2003. Simultaneous with the completion of the offering, the short-term loan with Parkway was converted to a permanent loan and the terms of the loan documents were modified in accordance with a loan commitment from Parkway.

PLAINFIELD MARKETPLACE. Plainfield 1031, L.L.C., a Delaware limited liability company, purchased a multi-tenant shopping center located in Plainfield, IL on December 16, 2003 from Ryan Companies US, Inc., a Minnesota corporation. The L.L.C. financed its acquisition of the property with a loan from Bear Stearns Commercial Mortgage, Inc, a New York corporation. In January 2004, Plainfield 1031, L.L.C. began offering 99% of the undivided tenant in common interests in the real estate and improvements thereon located at 11840 South Route 59, Plainfield, Will County, Illinois for $12,350,250 in cash plus the assumption of the existing indebtedness to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price, $24,400,000, consisted of $11,925,000 in debt assumption and $12,475,000 in equity investment, 1% of which was required by the lender to be retained by Plainfield 1031, L.L.C. The difference between the real estate acquisition price of $21,700,000 and the total price of $24,400,000 consists of $950,000 acquisition fee, $150,000 for a property reserve account, and $1,600,000 of estimated costs and expenses. The offering was completed in June 2004 when the maximum offering amount was raised.

PIER 1 RETAIL CENTER. Butterfield-Highland 1031, L.L.C., a Delaware limited liability company, purchased a multi-tenant retail shopping center on December 30, 2003 from the beneficiary of Trust No. 2314, an unrelated third party, which trust was held by North Side Community Bank as Trustee under the Trust Agreement dated December 12, 2003. The L.L.C. financed its acquisition of the property with a loan from Bear Stearns Commercial Mortgage, Inc, a New York corporation. In March 2004, Butterfield-Highland 1031, L.L.C. began offering 99% of the undivided tenant in common interests in the real estate and improvements thereon located at 2830 S. Highland Avenue, Lombard, Illinois for $4,257,000 in cash plus the assumption of the existing indebtedness to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price, $8,150,000, consisted of $3,850,000 in debt assumption and $4,300,000 in equity investment, a minimum of 1% of which is required by the

lender to be retained by Butterfield-Highland 1031, L.L.C. The difference between the real estate acquisition price of $7,025,000 and the total price of $8,150,000 consists of $350,000 acquisition fee, $100,000 for a property reserve account, and $675,000 of estimated costs and expenses. The offering was completed in June 2004 when the maximum offering amount was raised.

LONG RUN 1031, L.L.C. LR 1031, L.L.C., a Delaware limited liability company, purchased a multi-tenant retail shopping center on January 27, 2003 from Ryan Lemont, L.L.C., the third party seller and developer of the property. The L.L.C. financed its acquisition of the property with cash and, on April 24, 2003, placed a loan on the Property in the amount of $4,700,000 from Principal Commercial Funding, LLC. In June 2004, LR 1031, L.L.C. a Delaware limited liability company and initial beneficiary of Long Run 1031, L.L.C offered its entire membership interest in the LLC to a qualified person in need of a replacement property to complete a 1031 tax-deferred exchange. The total price was $4,960,000 in cash plus the assumption of the existing indebtedness to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price, $9,660,000 consisted of $4,700,000 in debt assumption and $4,960,000 in equity investment. The difference between the real estate acquisition price of $8,500,000 and the total price of $9,660,000 consists of $451,347 acquisition fee, $50,000 for a property reserve account, and $658,653 of estimated costs and expenses. The offering was completed in June 2004 when the maximum offering amount was raised.

FORESTVILLE 1031, L.L.C. Forestville Exchange, L.L.C., a Delaware limited liability company, purchased a single-tenant retail shopping center on November 13, 2003 from Silver Hill, L.L.C., a North Carolina limited liability company, the property's developer. The L.L.C. financed its acquisition of the property with cash. In May 2004, Forestville Exchange, L.L.C. a Delaware limited liability company and initial beneficiary of Forestville 1031, L.L.C offered its entire membership interest in the LLC to a qualified person in need of a replacement property to complete a 1031 tax-deferred exchange. The total price was $3,900,000 in cash plus the assumption of the existing indebtedness to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price, $3,900,000000 consisted of $1,793,630 in debt assumption and $2,106,370 in equity investment. The difference between the real estate acquisition price of $3,450,000 and the total price of $3,900,000 consists of $172,500 acquisition fee and $277,500 of estimated costs and expenses. The offering was completed in May 2004 when the maximum offering amount was raised.

BED BATH & BEYOND RETAIL CENTER. BBY Schaumburg 1031, L.L.C., a Delaware limited liability company, purchased a multi-tenant retail shopping center on April 20, 2004 from the American Real Estate Holdings, L.P. a Delaware limited partnership, an unrelated third party. The L.L.C. financed its acquisition of the property with a loan from Bear Stearns Commercial Mortgage, Inc, a New York corporation. In June 2004, BBY Schaumburg 1031, L.L.C. began offering 99% of the undivided tenant in common interests in the real estate and improvements thereon located at 905-915 East Golf Road, Schaumburg, Illinois for $6,633,000 in cash plus the assumption of the existing indebtedness to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. Total price, $12,605,000, consisted of $6,905,000 in debt assumption and $5,700,000 in equity investment, 1% of which was required by the lender to be retained by BBY Schaumburg 1031, L.L.C. The difference between the real estate acquisition price of $11,655,110 and the total price of $13,605,000 consists of $600,000 acquisition fee, $400,000 for property reserve accounts, and $949,890 of estimated costs and expenses. The offering was completed in October 2004 when the maximum offering amount was raised.

CROSS CREEK COMMONS SHOPPING CENTER. Cross Creek 1031, L.L.C., a Delaware limited liability company, purchased a multi-tenant retail shopping center on February 17, 2004 from Buckley Shuler Real Estate, L.L.C., a Georgia limited liability company, an unrelated third party. The L.L.C. financed its acquisition of the property with cash and subsequently placed a loan from bear Stearns Commercial Mortgage on the property. In March 2004, Cross Creek 1031, L.L.C. began offering 99% of

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the undivided tenant in common interests in the real estate and improvements thereon located at 10920-10948 Cross Creek Boulevard, Tampa, Florida for $6,930,000 in cash plus the assumption of the existing indebtedness to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. As of June 30, 2004 the L.L.C. had raised $2,788,000. Total price, $12,078,762, consisted of $5,078,762 in debt assumption and $7,000,000 in equity investment, 1% of which was required by the lender to be retained by Cross Creek 1031, L.L.C. The difference between the real estate acquisition price of $10,319,583 and the total price of $12,078,762 consists of $520,000 acquisition fee, $150,000 for a property reserve account, and $1,089,179 of estimated costs and expenses. The offering was completed in August 2004 when the maximum offering amount was raised.

BJ'S SHOPPING CENTER EAST SYRACUSE, NEW YORK. BJS Syracuse 1031, L.L.C., a Delaware limited liability company, purchased a multi-tenant retail shopping center on April 30, 2004 from the American Real Estate Holdings, L.P. a Delaware limited partnership, an unrelated third party. The L.L.C. financed its acquisition of the property with a loan and cash. In June 2004, BJS Syracuse 1031, L.L.C. began offering 99% of the undivided tenant in common interests in the real estate and improvements thereon located at 2-4 Chevy Drive, East Syracuse, New York for $8,365,500 in cash plus the assumption of the existing indebtedness to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price of the purchase was $15,850,000. Total price, $15,850,000, consisted of $7,400,000 in debt assumption and $8,450,000 in equity investment, 1% of which was required by the lender to be retained by BJS Syracuse 1031, L.L.C. The difference between the real estate acquisition price of $13,500,000 and the total price of $15,850,000 consists of $675,000 acquisition fee, $150,000 for a property reserve account, and $1,525,000 of estimated costs and expenses. The offering was completed in October 2004 when the maximum offering amount was raised.

BARNES & NOBLE RETAIL CENTER CLAY, NEW YORK. Clay 1031, L.L.C., a Delaware limited liability company, purchased a multi-tenant retail shopping center on April 15, 2004 from Clay First Associates, L.L.C., an unrelated third party. The L.L.C. financed its acquisition of the property with an assumed mortgage and note for $3,175,000 and cash. In June 2004, Clay 1031, L.L.C. began offering 99% of the undivided tenant in common interests in the real estate and improvements thereon located at 3954-3956 Route 31, Clay, New York for $3,930,300 in cash plus the assumption of the existing indebtedness to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. Total price, $7,145,000, consisted of $3,175,000 in debt assumption and $3,970,000 in equity investment, 1% of which was required by the lender to be retained by BJS Syracuse 1031, L.L.C. The difference between the real estate acquisition price of $6,100,000 and the total price of $7,145,000 consists of $305,000 acquisition fee, $100,000 for a property reserve account, and $640,000 of estimated costs and expenses.

PORT RICHEY 1031, L.L.C. Port Richey 1031, L.L.C., a Delaware limited liability company, purchased a multi-tenant retain shopping center on January 30, 2004 from Land Capital Group, Inc., an unrelated third party. The L.L.C. financed its acquisition of the property with cash and, on February 25, 2004, placed a loan on the property in the amount of $2,900,000 from Bear Stearns Commercial Mortgage, Inc. In July 2004, Port Richey Exchange, L.L.C., a Delaware limited liability company and initial beneficiary of Port Richey 1031, L.L.C., offered its entire membership interest in the LLC to certain qualified persons in need of a replacement property to complete a 1031 tax-deferred exchange. The total price was $3,075,000 in cash plus the assumption of the existing indebtedness. The total price, $5,975,000, consisted of $2,900,000 in debt assumption and $3,075 in equity investment. The difference between the real estate acquisition price of $5,250,000 and the total price of $5,975,000 consists of $262,500 acquisition fee, $437,500 of estimated costs and expenses and $25,000 for a property reserve account. The offering was completed in July 2004 when the maximum offering amount was raised.

WALGREENS STORE HOBART, INDIANA. Hobart 1031, L.L.C., a Delaware limited liability company, purchased a single-tenant retail shopping center on June 10, 2004 from C. Hobart, L.L.C., an unrelated third party. The L.L.C. financed its acquisition of the property with cash. In July 2004, Hobart 1031, L.L.C. began offering 99% of the undivided tenant-in-common interests in the real estate and improvements thereon located at 732 West Old Ridge Road, Hobart, Indiana for $6,534,000 in cash to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price, $6,534,000, consists of an equity investment, 1% of which will be retained by Hobart 1031, L.L.C. The difference between the real estate acquisition price of $5,575,000 and the total price of $6,534,000 consists of $235,000 acquisition fee, $50,000 for a property reserve account and $740,000 of estimated costs and expenses. As of September 30, 2004 there were no investors.

KRAFT COLD STORAGE FACILITY, MASON CITY, IOWA. Mason City 1031, L.L.C., a Delaware limited liability company, purchased a single-tenant light industrial building on June 2, 2004 from MDG Iowa, L.P., an unrelated third party. The L.L.C. financed its acquisition of the property with a mortgage and note for $5,333,000 and cash. In July 2004, Mason City 1031, L.L.C. began offering 99% of the undivided tenant-in-common interests in the real estate and improvements thereon located at 904-12th Street, Mason City, Iowa for $5,610,330 in cash plus the assumption of the existing indebtedness to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price, $11,000,000, consisted of $5,330,000 in debt assumption and $5,667,000 in equity investment, 1% of which was required by the lender to be retained by Mason City 1031, L.L.C. The difference between the real estate acquisition price of $9,550,000 and the total price of $11,000,000 consists of $480,000 acquisition fee, $100,000 for a property reserve account, environmental insurance credit of $50,000 and $820,000 of estimated costs and expenses.

HUNTINGTON SQUARE PLAZA, NEW YORK. Huntington Square 1031, L.L.C., a Delaware limited liability company, purchased a multi-tenant retail shopping center on July 16, 2004 from Starwood Ceruzzi Commack, L.L.C., an unrelated third party. The L.L.C. financed its acquisition of the property with an assumed first mortgage and note for $19,150,000, a junior loan in the amount of $6,180,000 and cash. On August 30, 2004, Huntington Square 1031, L.L.C. began offering 99% of the undivided tenant-in-common interests in the real estate and improvements thereon located at 3124 East Jericho Turnpike, New York for $20,050,000 in cash plus the assumption of the existing first mortgage indebtedness to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price, $39,200,000, consisted of $19,150,000 in debt assumption and $20,050,000 in equity investment, 1% of which was required by the lender to be retained by Huntington Square 1031, L.L.C. The difference between the real estate acquisition price of $24,821,392 and the total price of $39,200,000 consists of $1,500,000 acquisition fee, $150,000 for a property reserve account and $2,728,608 of estimated costs and expenses.

BEST BUY STORE, REYNOLDSBURG, OHIO. Reynoldsburg 1031, L.L.C., a Delaware limited liability company, purchased a single-tenant retail shopping center on August 5, 2004 from NOCA Retail Development Limited, an unrelated third party. The L.L.C. financed its acquisition of the property with a loan from Bear Stearns Commercial Mortgage, Inc. for $4,950,000 and cash. In June 2004, Reynoldsburg 1031, L.L.C. began offering 99% of the undivided tenant-in-common interests in the real estate and improvements thereon located at 2872 Taylor Road, Reynoldsburg, Ohio for $5,395,000 in cash plus the assumption of the existing indebtedness to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price, $10,345,000, consisted of $4,950,000 in debt assumption and $5,395,000 in equity investment, 1% of which was required by the lender to be retained by Reynoldsburg 1031, L.L.C. The difference between the real estate acquisition price of $9,000,000 and the total price of $10,345,000 consists of $450,000 acquisition fee, $100,000 for a property reserve account and $795,000 of estimated costs and expenses.

The following summary table describes the fees and expenses incurred by each of our entities in our 1031 Exchange Private Placement Offering Project.

	Landings of Sarasota	Sentry Office Building	Pets Bowie	1031 Chattanooga	Lans Shop Cen

	DBT	DBT	DBT	DBT	DB
Commissions & Fees(1)	Up to 8.5%	Up to 8.5%	Up to 8.5%	Up to 8.5%	Up t
Selling Commission To 3rd Party Reps	6.00%	6.00%	6.00%	6.00%	
Due Diligence Fee	0.50%	0.50%	0.50%	0.50%	
Marketing Expenses	1.00%	1.50%	1.50%	1.50%	
Offering & Organization	1.00%	0.50%	0.50%	0.50%	
Mortgage Broker Fee (IMC)(2)	0.50%	0.50%	0.50%	0.50%	
Acquisition Fee & Carrying Costs(3)					
Acquisition Fee	N/A	0.71%	0.77%	0.90%	
Bridge Financing Fees	N/A	N/A	1.49%	0.50%	
Total Load(4)	11.25%- 12.75%	14.23%	13.68%	14.39%	
Asset Management Fees(5)	N/A	0.75%	1.00%	0.56%	
Property Management Fees(6)	4.5%	5.0%	Paid by Asset Mgr.	5.0%	
Backend Sales Commission	3.5%	3.5%	3.5%	3.5%	

	Taunton Circuit DBT	Broadway Commons DBT	Bell Plaza 1031 LLC	Inland 210 Celebration Place DBT	Comp Ret Buil LL
Commissions & Fees(1)	Up to 8.0%	Up to 8.77%	Up to 9.19%	Up to 5.27%	
Selling Commission To 3rd Party Reps	6.00%	6.00%	6.00%	3.81%	
Due Diligence Fee	0.50%	0.50%	0.50%	0.00%	
Marketing Expenses	1.00%	1.00%	1.00%	0.50%	
Offering & Organization	0.50%	1.27%	1.69%	0.96%	
Mortgage Broker Fee (IMC)(2)	0.61%	0.50%	0.50%	0.50%	
Acquisition Fee & Carrying Costs(3)					
Acquisition Fee	0.69%	0.75%	N/A	0.89%	
Bridge Financing Fees	0.07%	0.23%	N/A	0.23%	
Total Load(4)	11.89%	12.98%	23.02%	10.52%	
Asset Management Fees(5)	0.57%	N/A	0.53%	0.53%	
Property Management Fees(6)	4.0%	5.0%	5.0%	4.5%	
Backend Sales Commission	N/A	N/A	3.5%	N/A	

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	Fleet Office Building 1031 LLC	Davenport Deere Distribution Facility 1031 LLC	Grand Chute DST	Macon Office DST	White Settlem Road Investm LLC

Commissions & Fees(1)	Up to 8.52%	Up to 8.42%	Up to 8.82%	Up to 8.52%	U
Selling Commission To 3rd Party Reps	6.00%	6.00%	6.00%	6.00%	
Due Diligence Fee	0.50%	0.50%	0.50%	0.50%	
Marketing Expenses	1.00%	1.00%	1.00%	1.00%	
Offering & Organization	1.02%	0.92%	1.32%	1.02%	
Mortgage Broker Fee (IMC)(2)	0.50%	0.71%	0.50%	0.50%	
Acquisition Fee & Carrying Costs(3)					
Acquisition Fee	0.85%	0.77%	0.84%	0.72%	
Bridge Financing Fees	0.35%	0.72%	0.13%	0.81%	
Total Load(4)	14.57%	13.18%	12.96%	14.24%	3
Asset Management Fees(5)	0.49%	0.50%	0.66%	0.66%	
Property Management Fees(6)	4.5%	4.5%	5.0%	4.5%	
Backend Sales Commission	N/A	N/A	N/A	N/A	

	Pier 1 Retail Center 1031 LLC	Long Run 1031 LLC	Forestville 1031 LLC	Bed, Bath & Beyond 1031 LLC	C C Co 103
Commissions & Fees(1)	Up to 8.73%	Up to 8.37%	Up to 8.40%	Up to 8.70%	
Selling Commission To 3rd Party Reps	6.00%	5.84%	5.54%	6.00%	
Due Diligence Fee	0.50%	0.49%	0.46%	0.50%	
Marketing Expenses	1.00%	0.97%	0.93%	1.00%	
Offering & Organization	1.23%	1.07%	1.46%	1.20%	
Mortgage Broker Fee (IMC)(2)	0.50%	0.47%	0.43%	0.55%	
Acquisition Fee & Carrying Costs(3)					
Acquisition Fee	4.29%	5.31%	5.00%	5.15%	
Bridge Financing Fees	0.94%				
Total Load(4)	8.28%	22.38%	21.34%	23.13%	
Asset Management Fees(5)	0.06%	0.20%	0.00%	0.15%	
Property Management Fees(6)	5.0%	5.0%	5.0%	5.0%	
Backend Sales Commission	N/A	N/A	N/A	N/A	

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	Barnes & Noble Retail Center 1031 LLC	Port Richey 1031 LLC	Walgreens Store Hobart 1031 LLC	Kraft Cold Storage Facility 1031 LLC	Huntin Squa Plaz 1031
Commissions & Fees(1)	Up to 8.69%	Up to 8.4%	Up to 9.02%	Up to 8.75%	
Selling Commission To 3rd Party Reps	6.00%	5.55%	6.00%	6.00%	
Due Diligence Fee	0.50%	0.46%	0.50%	0.50%	
Marketing Expenses	1.00%	0.93%	1.00%	1.00%	

Offering & Organization	1.19%	1.46%	1.02%	1.25%
Mortgage Broker Fee (IMC)(2)	0.50%	0.43%	N/A	0.50%
Acquisition Fee & Carrying Costs(3)				
Acquisition Fee	5.00%	5.00%	4.22%	5.03%
Bridge Financing Fees	0.49%	0.56%	1.25%	0.56%
Total Load(4)	23.80%	22.80%	14.77%	22.94%
Asset Management Fees(5)	0.13%	0.00%	0.08%	0.05%
Property Management Fees(6)	5.0%	5.0%	4.5%	4.5%
Backend Sales Commission	N/A	N/A	N/A	N/A

(1) Commissions and fees are calculated as a percentage of the equity portion of each deal.

(2) The Mortgage Broker Fee is calculated as a percentage of the debt portion of each deal.

(3) Acquisition & Carrying Costs are calculated as a percentage of the real estate acquisition price.

(4) The Total Load is calculated as a percentage of the equity portion of each deal. The Total Load includes the Commissions & Fees, Mortgage Broker Fee, Acquisition Fee & Carrying Costs, as well as any other non-affiliated third party expenses.

(5) Asset Management Fees are calculated as a percentage of the value of the assets under management. However, for The Landings and Broadway Commons, which are both Master Lease deals, the Master Tenant Income is the residual cash flow from the Property after payment of the Master Lease Rent. As a result, it is not possible to accurately represent the Master Tenant Income as a percentage of the value of the assets under management.

(6) Property Management Fees are calculated as a percentage of Gross Income from the property.

The following additional fees are the same for each deal:

Loan Servicing Fee - IMSC will be compensated with a monthly fee equal to the outstanding principal balance of the loan at the beginning of every month multiplied by 1/8% then divided by 12. This figure, however, shall never exceed $10,000, nor be less than $1,200 monthly.

Termination Fees - (i) MASTER LEASE: 8.333% of the last 12 Months of NOI less Rent payments for the same 12 months multiplied by the number of months remaining on the then-current term of the Master Lease and (ii) ASSET & PROPERTY MANAGEMENT AGREEMENTS: The sum of the current monthly AM & PM fees times the number of months remaining on the term.

The following table summarizes cash distributions to investors for each of the 1031 Exchange Private Placement Offering Projects through September 30, 2004:

1031 EXCHANGE PERFORMANCE
DISTRIBUTIONS THROUGH SEPTEMBER 30, 2004

Name of Entity	Number of Investors	Offering Equity ($)	Offering Completed ($)	Distributio To Date ($)
Landings of Sarasota DBT	9	4,000,000	05/2002	887,0
Sentry Office Building DBT	7	3,500,000	04/2002	757,3
Pets Bowie DBT	7	2,600,000	07/2002	523,3
1031 Chattanooga DBT	9	1,900,000	05/2002	356,9
Lansing Shopping Center DBT	5	5,000,000	09/2001	854,5
Inland 220 Celebration Place DBT	35	15,800,000	09/2003	2,141,9
Taunton Circuit DBT	1	3,750,000	09/2002	600,7
Broadway Commons DBT	32	8,400,000	12/2003	813,1
Bell Plaza 1031, LLC	1	890,000	11/2003	218,7
Inland 210 Celebration Place DBT	1	6,300,000	01/2003	891,2
CompUSA Retail Building, LLC	11	3,950,000	02/2004	307,5
Janesville Deere Distribution Facility 1031, LLC	35	10,050,000	01/2004	675,1
Fleet Office Building 1031, LLC	30	10,000,000	01/2004	620,7
Davenport Deere Distribution Facility 1031, LLC	35	15,700,000	04/2004	781,0
Grand Chute DST	29	5,370,000	03/2004	265,1
Macon Office DST	29	6,600,000	03/2004	380,6
White Settlement Road Investment, LLC	1	1,420,000	12/2003	85,4
Plainfield Marketplace 1031, LLC	31	12,475,000	06/2004	184,4
Pier 1 Retail Center 1031, LLC	22	4,300,000	06/2004	105,4
Long Run 1031, LLC	1	4,935,000	05/2004	120,0
Forestville 1031, LLC	1	3,900,000	05/2004	80,5
Bed, Bath & Beyond 1031, LLC	19	6,633,000	*	49,5
Cross Creek Commons 1031, LLC	26	6,930,000	08/2004	119,4
BJ's Shopping Center 1031, LLC	7	8,365,000	*	8,6
Barnes & Noble Retail Center 1031, LLC	1	3,930,000	*	1,5

Name of Entity	2003 Annual Distribution (%)	2004 Annual Distribution (%)
Landings of Sarasota DBT	8.07	8.39
Sentry Office Building DBT	8.73	9.25
Pets Bowie DBT	8.89	9.12
1031 Chattanooga DBT	8.26	8.26
Lansing Shopping Center DBT	8.29	8.96
Inland 220 Celebration Place DBT	8.10	8.10
Taunton Circuit DBT	8.31	8.31
Broadway Commons DBT	8.22	8.26
Bell Plaza 1031, LLC	14.67	16.05
Inland 210 Celebration Place DBT	8.23	8.23
CompUSA Retail Building, LLC	8.05	8.17
Janesville Deere Distribution Facility 1031, LLC	7.23	7.35
Fleet Office Building 1031, LLC	7.19	7.19
Davenport Deere Distribution Facility 1031, LLC	7.36	7.36
Grand Chute DST	8.48	8.49
Macon Office DST	8.20	8.20
White Settlement Road Investment, LLC		8.34
Plainfield Marketplace 1031, LLC		7.09

Pier 1 Retail Center 1031, LLC		7.20
Long Run 1031, LLC		9.42
Forestville 1031, LLC		7.55
Bed, Bath & Beyond 1031, LLC		7.58
Cross Creek Commons 1031, LLC		7.30
BJ's Shopping Center 1031, LLC		7.69
Barnes & Noble Retail Center 1031, LLC		6.65

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Name of Entity	Number of Investors	Offering Equity ($)	Offering Completed ($)	Distributio To Date ($)
Port Richey 1031 LLC	1	3,075,000	07/2004	-
Walgreen Store Hobart 1031, LLC	0	6,534,000	*	-
Kraft Cold Storage Facility 1031, LLC	0	11,000,000	*	-
Huntington Square Plaza 1031, LLC	0	39,200,000	*	-
Best Buy Store Reynoldsburg 1031, LLC	0	10,345,000	*	-
		226,852,000		11,830,4

Name of Entity	2003 Annual Distribution (%)	2004 Annual Distribution (%)
Port Richey 1031 LLC		9.24
Walgreen Store Hobart 1031, LLC		5.78
Kraft Cold Storage Facility 1031, LLC		7.00
Huntington Square Plaza 1031, LLC		6.48
Best Buy Store Reynoldsburg 1031, LLC		6.73

* Offering was not complete as of September 30, 2004

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MANAGEMENT

INLAND AFFILIATED COMPANIES

The Inland Group, Inc. was started by a group of Chicago schoolteachers in 1967, and incorporated the following year. The founders of The Inland Group and its affiliates are still centered in the Chicago metropolitan area. Over the past 35 years, The Inland Group and its affiliates have experienced significant growth and now make up a fully-integrated group of legally and financially separate companies that have been engaged in diverse facets of real estate providing property management, leasing, marketing, acquisition, disposition, development, redevelopment, renovation, construction, finance, investment products, and other related services. The Inland Real Estate Group of Companies (sometimes referred to as "Inland") represents the marketing name for these separate legal entities that are either subsidiaries of the same entity, affiliates of each other, share some common ownership or were previously sponsored by Inland Real Estate Investment Corporation. Inland in the aggregate was ranked by Crain's Chicago Business in April 2004 as the 28th largest privately held company headquartered in the Chicago area. Among the affiliates of Inland is one of the largest property management firms in Illinois and one of the largest commercial real estate and mortgage banking firms in the Midwest.

As of September 30, 2004 Inland and its affiliates have more than 1,000 employees, own properties in 42 states, and have managed assets in excess of $10 billion. The senior management includes executives of The Inland Group and its affiliates. Our management personnel have substantial experience in a full range of real estate services. Our top seven senior executives have an average of over 25 years experience in the real estate industry.

Our business manager/advisor and managing dealer are affiliates of Inland. The relevant skills and experience of each of the Inland affiliated companies, developed over the course of more than 35 years in business, primarily in the Chicago metropolitan area, are available to us in the conduct of our business.

As of September 30, 2004, our sponsor, Inland Real Estate Investment Corporation, is the general partner of limited partnerships which own in excess of 3,455 acres of pre-development land in the Chicago area, as well as approximately 16.9 million square feet of real property in Chicago and nationwide.

Inland developed expertise in real estate financing as it bought and sold properties over the years. Inland Mortgage Corporation was incorporated in 1977. As of September 30, 2004 Inland Mortgage Corporation has originated more than $7 billion in financing including loans to third parties and affiliated entities.

Inland Mortgage Investment Corporation and Inland Mortgage Servicing Corporation were incorporated in 1990, delineating the functions and duties associated with financing. As of September 30, 2004, Inland Mortgage Investment Corporation owned an approximately $76 million loan portfolio, and Inland Mortgage Servicing Corporation serviced a loan portfolio of 558 loans exceeding $3.7 billion.

The Inland Property Management companies are responsible for collecting rent, and leasing and maintaining the rental properties they manage.

The Inland Property Management companies managed over 54 million square feet of commercial properties in 42 states as of September 30, 2004. A substantial portion of the portfolio, approximately 14.8 million square feet, consists of properties leased on a triple-net lease basis. A triple-net lease means that the tenant operates and maintains the property and pays rent that is net of taxes, insurance, and

operating expenses. This group also manages more than 11,500 multi-family units that are principally located in the Chicago area.

Inland US Management LLC, Inland Southwest Management LLC and Inland Pacific Management LLC, our management companies, were formed to segregate responsibility for management of our properties from Inland Property Management companies' growing management portfolio of retail properties. Our property management companies are responsible for collecting rent, leasing, and maintaining the retail properties they manage. These properties are primarily intended to be our properties in our primary geographical area of investment. Our property management companies are owned primarily by individuals who are affiliates of Inland.

Inland Real Estate Acquisitions, Inc., another company affiliated with Inland, has extensive experience in acquiring real estate for investment. Over the years, it and its affiliates have acquired over 1,700 properties for over $10 billion.

Inland Real Estate Development Corporation has handled the design, approval and entitlement of land parcels which have included in excess of 10,900 residential units, 11.8 million square feet of retail land and 7.6 million square feet of industrial land. They have been responsible for the land development of land for over 3,300 of those residential units, 6.7 million square feet of the retail land and all 7.6 million square feet of the industrial land. They currently handle an inventory of over 3,000 acres of prime land for development.

Inland Real Estate Sales, Inc., another affiliate of Inland, is one of the largest "mid-market" commercial brokerage specialists in the Midwest. In the last three years it has completed more than $380 million in commercial real estate sales. Inland Real Estate Sales, Inc. has been involved in the sale of more than 2,500 multi-family units and over 3.5 million square feet of commercial property.

See also "Prior Performance of our Affiliates" and APPENDIX A - "Prior Performance Tables" for information concerning over $2.9 billion raised from over 75,000 investors in connection with two other REITs, one other public real estate equity program, one private real estate equity program and five private placement mortgage and note programs and nine real estate exchange private placement offerings sponsored by The Inland Group affiliated companies during the 10-year period ending September 30, 2004, and the prior performance of those programs. During the last 35 years, more than 100,000 investors were in the Inland Group's 238 completed programs as of December 8, 2004, with no investor losses of initial invested capital in any completed equity program.

The following sets forth information with respect to the directors and principal executive officers of The Inland Group:

NAME	AGE*	POSITION AND OFFICE WITH THE INLAND GR
Daniel L. Goodwin	60	Chairman, president and director
Robert H. Baum	60	Vice chairman, executive vice presiden counsel and director
G. Joseph Cosenza	60	Vice chairman and director
Robert D. Parks	60	Director

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*As of January 1, 2004

Messrs. Goodwin, Baum, Cosenza and Parks were the founders of Inland.

DANIEL L. GOODWIN, is a founding and controlling stockholder of and the Chairman of the Board and Chief Executive Officer of The Inland Group, Inc. Mr. Goodwin also serves as a director or officer of entities wholly owned or controlled by The Inland Group. In addition, Mr. Goodwin is the Chairman of the Board and Chief Executive Officer of Inland Mortgage Investment Corporation and Chairman and Chief Executive Officer of Inland Bancorp, a bank holding company. He is a director of Inland Real Estate Corporation and he also oversees numerous stock market investment portfolios and is the advisor for Inland Mutual Fund Trust, a publicly traded mutual fund.

HOUSING. Mr. Goodwin is a member of the National Association of Realtors, the Illinois Association of Realtors and the Northern Illinois Commercial Association of Realtors. He is also the author of a nationally recognized real estate reference book for the management of residential properties. Mr. Goodwin serves on the Board of the Illinois State Affordable Housing Trust Fund. He served as an advisor for the Office of Housing Coordination Services of the State of Illinois, and as a member of the Seniors Housing Committee of the National Multi-Housing Council. He has served as Chairman of the DuPage County Affordable Housing Task Force. Mr. Goodwin also serves as Chairman of New Directions Affordable Housing Corporation.

EDUCATION. Mr. Goodwin obtained his Bachelor's and Master's Degrees from Illinois State universities. Following graduation, he taught for five years in the Chicago Public Schools. More recently, Mr. Goodwin has served as a member of the Board of Governors of Illinois State Colleges and Universities. He is Vice Chairman of the Board of Trustees of Benedictine University, Vice Chairman of the Board of Trustees of Springfield College and Chairman of the Board of Trustees of Northeastern Illinois University.

ROBERT H. BAUM has been with The Inland Group and has affiliates since 1968 and is one of the four original principals. Mr. Baum is vice chairman and executive vice president-general counsel of The Inland Group. In his capacity as general counsel, Mr. Baum is responsible for the supervision of the legal activities of The Inland Group and its affiliates. This responsibility includes the supervision of The Inland Group Law Department and serving as liaison with outside counsel. Mr. Baum has served as a member of the North American Securities Administrators Association Real Estate Advisory Committee and as a member of the Securities Advisory Committee to the Secretary of State of Illinois. He is a member of the American Corporation Counsel Association and has also been a guest lecturer for the Illinois State Bar Association. Mr. Baum has been admitted to practice before the Supreme Court of the

United States, as well as the bars of several federal courts of appeals and federal district courts and the State of Illinois. He is also an Illinois licensed real estate broker. He has served as a director of American National Bank of DuPage and currently serves as a director of Inland Bancorp Holding Company and of Westbank. Mr. Baum also is a member of the Governing Council of Wellness House, a charitable organization that provides emotional support for cancer patients and their families.

G. JOSEPH COSENZA has been with The Inland Group and its affiliates since 1968 and is one of the four original principals and founders. Mr. Cosenza is a director and vice chairman of The Inland Group and oversees, coordinates and directs Inland's many enterprises. In addition, Mr. Cosenza immediately supervises a staff of 19 persons who engage in property acquisition and due diligence. Mr. Cosenza has been a consultant to other real estate entities and lending institutions on property appraisal methods. He has directly overseen the purchase of close to $10.5 billion of income-producing real estate from 1968 to present.

Mr. Cosenza received his B.A. Degree from Northeastern Illinois University and his Master's Degree from Northern Illinois University. From 1967 to 1972, he taught in the LaGrange and Wheeling, Illinois School Districts and he served as assistant principal and taught in the Wheeling, Illinois School District while the four schoolteacher partners operated Inland on a part time basis. Mr. Cosenza has been a licensed real estate broker since 1968 and an active member of various national and local real estate associations, including the National Association of Realtors and the Urban Land Institute.

Mr. Cosenza also has been chairman of the board of American Bank of DuPage and has served on the board of directors of Continental Bank of Oakbrook Terrace. He was the chairman and is presently a director on the board of Inland Bankcorp, which owns Westbank in Westchester, Hillside and Lombard, Illinois. Mr. Cosenza has been a director since 1994 to Inland Real Estate Corporation, a $1.7 billion asset publicly traded REIT and is also a member of the management committee.

ROBERT D. PARKS is a director of The Inland Group, Inc. and one of its four original principals; chairman of Inland Real Estate Investment Corporation, a director of Inland Securities Corporation, and a director of Inland Investment Advisors, Inc. Mr. Parks is president, chief executive officer and a director of Inland Real Estate Corporation. He is chairman, chief executive officer and an affiliated director of Inland Retail Real Estate Trust, Inc., and is our chairman, chief executive officer, and an affiliated director.

Mr. Parks is responsible for the ongoing administration of existing investment programs, corporate budgeting and administration for Inland Real Estate Investment Corporation. He oversees and coordinates the marketing of all investments and investor relations.

Prior to joining Inland, Mr. Parks taught in Chicago's public schools. He received his B.A. Degree from Northeastern Illinois University and his M.A. Degree from the University of Chicago. He is a registered Direct Participation Program Limited Principal with the National Association of Securities Dealers. He is a member of the Real Estate Investment Association, the Financial Planning Association, the Foundation for Financial Planning as well as a member of the National Association of Real Estate Investment Trusts (NAREIT).

OUR GENERAL MANAGEMENT

We operate under the direction of our board of directors. Our board is responsible for our business and management. Our board sets our policies and strategies. Our business manager/advisor is responsible for the day-to-day management of our affairs and the implementation of the policies of our board. Inland US Management LLC, Inland Southwest Management LLC and Inland Pacific Management LLC are responsible for managing, maintaining and leasing the individual properties.

Inland Real Estate Acquisitions, Inc. is responsible for acquiring properties. Inland Risk and Insurance Management Services, Inc., an affiliate of The Inland Group, Inc., is responsible for providing insurance coverage on the properties. Inland Mortgage Corporation, Inland Mortgage Servicing Corporation and Inland Mortgage Investment Corporation are responsible for the purchase, sales and servicing of mortgages. See "Compensation Table" for a description of the fees paid to our affiliates.

OUR DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth information with respect to our directors and executive officers:

NAME	AGE	POSITION AND OFFICE WITH US
Robert D. Parks............	60	Chairman, chief executive officer and director
Roberta S. Matlin..........	59	Vice president -- administration
Scott W. Wilton............	43	Secretary
Steven P. Grimes...........	37	Treasurer and principal financial off
Lori J. Foust..............	39	Principal accounting officer
Brenda G. Gujral...........	61	Affiliated director
Frank A. Catalano, Jr......	42	Independent director
Kenneth H. Beard...........	64	Independent director
Paul R. Gauvreau...........	64	Independent director
Gerald M. Gorski...........	61	Independent director
Barbara A. Murphy..........	66	Independent director

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*As of January 1, 2004

ROBERTA S. MATLIN has been our vice president of administration since our formation. Ms. Matlin joined Inland Real Estate Investment Corporation in 1984 as director of investor administration and currently serves as senior vice president of our sponsor, directing its day-to-day internal operations. Ms. Matlin is a director of our sponsor, a director and president of Inland Investment Advisors, Inc., and Intervest Southern Real Estate Corporation, and a director and vice president of Inland Securities Corporation. Since 1998, she has been vice president of administration of Inland Retail Real Estate Trust. She is president and a director of Inland Investment Advisors, Inc. and Intervest Southern Real Estate Corporation. She was vice president of administration of Inland Real Estate Corporation from 1995 until 2000. From June 2001 until April 2004 she was a trustee and executive vice president of Inland Mutual Fund Trust. Prior to joining Inland, she worked for the Chicago Region of the Social Security Administration of the United States Department of Health and Human Services. Ms. Matlin is a graduate of the University of Illinois. She holds Series 7, 22, 24, 39, 63 and 65 licenses from the National Association of Securities Dealers, Inc.

SCOTT W. WILTON has been our secretary since our formation. Mr. Wilton joined The Inland Group in January 1995. He is assistant vice president of The Inland Real Estate Group, Inc. and assistant counsel with The Inland Real Estate Group law department. In 1998, Mr. Wilton became secretary of Inland Retail Real Estate Trust, Inc. and Inland Retail Real Estate Advisory Services, Inc. In 2001, he became the Secretary of Inland Real Estate Exchange Corporation. Mr. Wilton is involved in all aspects of The Inland Group's business, including real estate acquisitions and financing, securities law and corporate governance matters, leasing and tenant matters, and litigation management. He received B.S. degrees in economics and history from the University of Illinois at Champaign 1982 and his law degree from Loyola University of Chicago, Illinois 1985. Prior to joining The Inland Group, Mr. Wilton worked for the Chicago law firm of Williams, Rutstein, Goldfarb, Sibrava and Midura, Ltd., specializing in real estate and corporate transactions and litigation.

STEVEN P. GRIMES joined our business manager/advisor as its Chief Financial Officer and became our treasurer and principal financial officer in 2004. He is responsible for our finances and borrowings. Prior to joining our business manager/advisor, Mr. Grimes was a director with Cohen Financial and was a senior manager with Deloitte and Touche. Mr. Grimes received his B.S. Degree in Accounting from Indiana University and is a Certified Public Accountant. Mr. Grimes is a member of the American Institute of Certified Public Accountants, or AICPA, and the Illinois CPA Society.

LORI J. FOUST joined the Inland organization as Vice President of Inland Western Retail Real Estate Advisory Services, Inc. in 2003. Ms. Foust is also our principal accounting officer. She is responsible for our financial and SEC reporting. Prior to joining the Inland organization, Ms. Foust worked in the field of public accounting and was a senior manager in the real estate division for Ernst and Young, LLP. She received her B.S. Degree in Accounting and her M.B.A. Degree from the University of Central Florida. Ms. Foust is a certified public accountant and a member of the AICPA.

BRENDA G. GUJRAL, an affiliated director, is president, chief operating officer and a director of Inland Real Estate Investment Corporation, the parent company of our business manager/advisor. She is also president, chief operating officer and a director of our managing dealer. Mrs. Gujral is also a director of Inland Investment Advisors, Inc., an investment advisor.

Mrs. Gujral has overall responsibility for the operations of Inland Real Estate Investment Corporation, including the distribution of checks to over 50,000 investors, the review of periodic communications to those investors, the filing of quarterly and annual reports for Inland Real Estate Investment Corporation-sponsored publicly registered investment programs with the Securities and Exchange Commission, compliance with other Securities and Exchange Commission and National Association of Securities Dealers securities regulations both for Inland Real Estate Investment Corporation and Inland Securities Corporation, review of asset management activities and marketing and communications with the independent broker-dealer firms selling current and prior Inland Real Estate Investment Corporation sponsored investment programs. She works with internal and outside legal counsel in structuring Inland Real Estate Investment Corporation's investment programs and in connection with the preparation of its offering documents and registering the related securities with the Securities and Exchange Commission and state securities commissions.

Mrs. Gujral has been with the Inland organization for 22 years, becoming an officer in 1982. Prior to joining the Inland organization, she worked for the Land Use Planning Commission establishing an office in Portland, Oregon to implement land use legislation for that state.

She is a graduate of California State University. She holds Series 7, 22, 39 and 63 licenses from the National Association of Securities Dealers and is a member of The National Association of Real Estate Investment Trusts. Ms. Gujral is also a member of the Financial Planning Association, the Foundation for Financial Planning and the National Association for Female Executives.

FRANK A. CATALANO, JR. has served as president of Catalano & Associates since 1999. Catalano & Associates is a real estate company that includes brokerage, property management and rehabilitation and leasing of office buildings. Mr. Catalano's experience also includes mortgage banking. Since 2002, he has been a vice president of First Home Mortgage Company. Prior to that, Mr. Catalano was a regional manager at Flagstar Bank. He also was president and chief executive officer of CCS Mortgage, Inc. from 1995 through 2000, when Flagstar Bank acquired it.

Mr. Catalano is a member of the Elmhurst, IL Chamber of Commerce and as past chairman of the board, he is also a member of the Elmhurst Jaycees, Elmhurst Hospital Board of Governors, Elmhurst Kiwanis and is currently the President of Elmhurst Historical Museum Commission. Mr. Catalano holds a mortgage broker's license.

KENNETH H. BEARD was president and chief executive officer of Exelon Services, an energy services company from 1999-2002, where he had responsibility for financial performance including being accountable for creating business strategy, growing the business through acquisition, integrating acquired companies and developing infrastructure for the combined acquired businesses. Exelon Services is a subsidiary of Exelon Corporation, a New York Stock Exchange listed company. Prior to that position, from 1974 to 1999, Mr. Beard was the founder, president and chief executive officer of Midwest Mechanical, Inc., a heating, ventilation and air conditioning company providing innovative and cost effective construction services and solutions for commercial, industrial, and institutional facilities. From 1964 to 1974 Mr. Beard was employed at The Trane Company, a manufacturer of heating, ventilating and air conditioning equipment having positions in sales, sales management and general management.

Mr. Beard holds a MBA and BSCE from the University of Kentucky and is a licensed mechanical engineer. He is on the board of directors of the Wellness House in Hinsdale, Illinois, a cancer support organization, and Harris Bank - Hinsdale, serves on the Dean's Advisory Council of the University of Kentucky, School of Engineering, and is a past member of the Oak Brook, Illinois Plan Commission (1981-1991).

PAUL R. GAUVREAU is the retired chief financial officer, financial vice president and treasurer of Pittway Corporation, New York Stock exchange listed manufacturer and distributor of professional burglar and fire alarm systems and equipment from 1966 until its sale to Honeywell, Inc. in 2001. He was president of Pittway's non-operating real estate and leasing subsidiaries through 2001. He was a financial consultant to Honeywell, Inc.; Genesis Cable, L.L.C.; ADUSA, Inc. He was a director and audit committee member of Cylink Corporation, a Nasdaq Stock Market listed manufacturer of voice and data security products from 1998 until its merger with Safenet, Inc. in February 2003. Prior to 1995, he was a director and acting chief financial officer instrumental in 1996 Cylink initial public offering.

Mr. Gauvreau holds a MBA from the University of Chicago and a BSC from Loyola University of Chicago. He is on the Board of Trustees and Vice Chairman of the Finance Committee of Benedictine University, Lisle, Illinois; a member of the Board of Trustees of the Chaddick Institute of DePaul University, Chicago, Illinois; and a member of the board of directors and treasurer of the Children's Brittle Bone Foundation, Pleasant Prairie, Wisconsin.

GERALD M. GORSKI is a partner in the law firm of Gorski and Good, Wheaton Illinois. Mr. Gorski's practice is limited to governmental law. His firm represents numerous units of local government in Illinois and Mr. Gorski has served as a Special Assistant State's Attorney and Special Assistant Attorney General in Illinois. He received a Bachelor of Arts degree from North Central College with majors in Political Science and Economics and a Juris Doctor degree from DePaul University Law School where he was placed on the Deans Honor List. Mr. Gorski serves as the Vice-Chairman of the Board of Commissioners for the DuPage Airport Authority. He has written numerous articles on various legal issues facing Illinois municipalities; has been a speaker at a number of municipal law conferences and is a member of the Illinois Bar Association, the Institute for Local Government Law and the International Municipal Lawyers Association.

BARBARA A. MURPHY is the Chairwoman of the DuPage Republican Party. Ms. Murphy is also a member of Illinois Motor Vehicle Review Board and a member of Matrimonial Fee Arbitration Board. Ms. Murphy is a Milton Township Trustee and a committeeman for Milton Township Republican Central Committee. Ms. Murphy previously served as State Central Committeewoman for the Sixth Congressional

District and has also served on the DuPage Civic Center Authority Board, the DuPage County Domestic Violence Task Force, and the Illinois Toll Highway Advisory Committee. Ms. Murphy is a founding member of the Family Shelter Service Board. As an active volunteer for Central DuPage Hospital, she acted as the "surgery hostess" (cared for families while a family member was undergoing

surgery). Ms. Murphy was a department manager and buyer for J.W. Robinson's and Bloomingdale's and the co-owner of Daffy Down Dilly Gift Shop.

COMMITTEES OF OUR BOARD OF DIRECTORS

Our bylaws provide that our board may establish such committees as the board believes appropriate. The board will appoint the members of the committee in the board's discretion. Our bylaws require that a majority of the members of each committee of our board is to be comprised of independent directors.

Our Board has established an audit committee comprised of Messrs. Catalano, Beard and Gauvreau. Mr. Gauvreau serves as the chair of the Audit Committee and qualifies as our "financial expert" under the rules of the Securities and Exchange Commission. These three directors are independent in accordance with the National Association of Securities Dealers' listing standards and under the Sarbanes-Oxley Act. The board has adopted a written charter for the audit committee.

The audit committee is responsible for the engagement of our independent auditors, reviewing the plans and results of the audit engagement with our auditors, approving services performed by and the independence of our independent auditors, considering the range of audit and non-audit fees, and consulting with our independent auditors regarding the adequacy of our internal accounting controls.

Although we do not have a standing nominating committee or compensation committee of the board, the board itself serves in those capacities.

There is no compensation committee. The board has been responsible for all compensation decisions. As we have no employees, there are no compensation decisions to be made by the board.

Our board does not currently have a nominating committee. Rather, each member of our board participates in the process of identifying and considering individuals for board membership. Our board believes its current process is effective since the current members of the board are seasoned executives from a variety of backgrounds. Each member of our board satisfies the independence requirements under the National Association of Securities Dealers' listing standards and the Sarbanes-Oxley Act, other than Mr. Parks and Mrs. Gujral. The board will consider for recommendation to the board nominations made by stockholders that comply with the procedures described in our proxy statement under the caption "Advance Notice Procedures for Making Director Nominations and Stockholder Proposals."

Once our board has identified a possible nominee (whether through a recommendation from a shareholder or otherwise), the independent members of the board make an initial determination as to whether to conduct a full evaluation of the candidate. This initial determination is based on the information provided to the board when the candidate is recommended, the board's own knowledge of the prospective candidate and information, if any, obtained by the board's inquiries. The preliminary determination is based primarily on the need for additional board members to fill vacancies, expand the size of the board or obtain representation in market areas without board representation and the likelihood that the candidate can satisfy the evaluation factors described below. If the independent members of the board determine that additional consideration is warranted, it may gather additional information about the candidate's background and experience. The independent members of the board then evaluate the prospective nominee against the following standards and qualifications:

- achievement, experience and independence;

- wisdom, integrity and judgment;

- understanding of the business environment; and

- willingness to devote adequate time to Board duties.

The independent members of the board also consider such other relevant factors as they deem appropriate, including the current composition of the board, the need for audit committee or other expertise and the evaluations of other candidates. In connection with this evaluation, the independent members of the board determine whether to interview the candidate. If the independent members of the board decide that an interview is warranted, one or more of those members, and others as appropriate, interviews the candidate in person or by telephone. After completing this evaluation and interview, the independent members of the board make a recommendation to the full board as to the persons who should be nominated by the board, and the board determines the nominees after considering the recommendation and report of the independent members of the board.

EXECUTIVE COMMITTEE. Our board may establish an executive committee consisting of three directors, including two independent directors. The executive committee would likely exercise all powers of the board in the management of the business and affairs of our company, except for those which require actions by all of the directors or by the independent directors under our articles of incorporation or bylaws or under applicable law.

MANAGEMENT AND DISCLOSURE COMMITTEE. Our board may establish a management disclosure committee to assist in reviewing our disclosures, controls and procedures. The committee may include our directors and directors and officers of our business manager/advisor.

EXECUTIVE COMPENSATION COMMITTEE. Our board may establish an executive compensation committee consisting of three directors, including two independent directors, to establish compensation policies and programs for our executive officers. The executive compensation committee will exercise all powers of our board in connection with establishing and implementing compensation matters, including incentive compensation and benefit plans.

COMPENSATION OF DIRECTORS AND OFFICERS

We pay our independent directors an annual fee of $5,000 (increased to $10,000 effective October 1, 2004) plus $500 for each in person meeting and $350 for each meeting of the board or a committee of the board attended by telephone, and reimbursement of their out-of-pocket expenses incurred. Our two other directors, Robert D. Parks and Brenda G. Gujral, do not receive any fees or other remuneration for serving as directors.

EXECUTIVE COMPENSATION

We have no employees and our executive officers will not receive any compensation from us for their services as such officers. Our executive officers are officers of one or more of our affiliates, and are compensated by those entities, in part, for their services rendered to us.

COMPLIANCE AND GOVERNANCE

On October 12, 2004, our board of directors unanimously adopted a Code of Business Conduct and Ethics, Nonretaliation Policy, and Complaint Procedures for Accounting and Auditing Matters.

INDEPENDENT DIRECTOR STOCK OPTION PLAN

We have an independent director stock option plan under which non-employee directors, as defined under Rule 16b-3 of the Securities Exchange Act of 1934, are eligible to participate.

We have authorized and reserved a total of 75,000 shares of our common stock for issuance under our independent director stock option plan. The number and type of shares which could be issued under the plan may be adjusted if we are the surviving entity after a reorganization or merger or if our stock splits, is consolidated or we are recapitalized. If this occurs, the exercise price of the options will be correspondingly adjusted.

The independent director stock option plan provides for the grant of non-qualified stock options to purchase 3,000 shares to each independent director upon his or her appointment if they meet the conditions in the plan. The plan also provides for subsequent grants of options to purchase 500 shares on the date of each annual stockholder's meeting to each independent director then in office. However, options may not be granted at any time when the grant, along with the grants to be made at the same time to other independent directors, would exceed 10% of our issued and outstanding shares. We have granted options to purchase 3,000 shares at $8.95 per share to each of our five independent directors. The option price for subsequent options will be equal to the fair market value of a share on the last business day preceding the annual meeting of stockholders. The option price will be fixed at $8.95 per share until the earlier of the termination of this offering or two years after the commencement of this offering.

One-third of the options granted following an individual initially becoming an independent director are exercisable beginning on the date of their grant, one-third will first become exercisable on the first anniversary of the date of their grant, and the remaining one-third will first become exercisable on the second anniversary of the date of their grant. All other options granted under the independent director stock option plan will become fully exercisable on the second anniversary of their date of grant.

Options granted under the independent director stock option plan are exercisable until the first to occur of

- the tenth anniversary of the date of grant,

- the removal for cause of the independent director as an independent director, or

- three months following the date the independent director ceases to be an independent director for any other reason except death or disability.

The options may be exercised by payment of cash or through the delivery of common stock. They are generally exercisable in the case of death or disability for a period of one year after death or the disabling event, provided that the death or disabling event occurs while the person is an independent director. However, if the option is exercised within the first six months after it becomes exercisable, any shares issued pursuant to such exercise may not be sold until the six month anniversary of the date of the grant of the option. Notwithstanding any other provisions of the independent director stock option plan to the contrary, no option issued pursuant thereto may be exercised if such exercise would jeopardize our status as a REIT under the Internal Revenue Code.

No option may be sold, pledged, assigned or transferred by an independent director in any manner otherwise than by will or by the laws of descent or distribution.

Upon our dissolution, liquidation, reorganization, merger or consolidation as a result of which we are not the surviving corporation, or upon sale of all or substantially all of our property, the independent

director stock option plan will terminate, and any outstanding unexercised options will terminate and be forfeited. However, holders of options may exercise any options that are otherwise exercisable immediately prior to the dissolution, liquidation, consolidation or merger. Additionally, our board may provide for any or all of the following alternatives:

- for the assumption by the successor corporation of the options previously granted or the substitution by the corporation for the options covering the stock of the successor corporation, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kind of shares and exercise prices;

- for the continuance of the independent director stock option plan by such successor corporation in which event the independent director stock option plan and the options will continue in the manner and under the terms so provided; or

- for the payment in cash or common stock in lieu of and in complete satisfaction of the options.

OUR BUSINESS MANAGER/ADVISOR

Our business manager/advisor, Inland Western Retail Real Estate Advisory Services, Inc., is an Illinois corporation and a wholly owned subsidiary of our sponsor. Our business manager/advisor reviews and updates our mission statement, determines our businesses' direction, selects the criteria for acquisitions and financing, adjusts the demographic and geographic parameters, analyzes strategic alternatives, adjusts our rate of growth to maximize shareholder value, and updates our business plan that is performed by Inland employees on our behalf involving the combined efforts of highly skilled technical people with many years of experience.

The following table sets forth information regarding the executive officers and directors of our business manager/advisor, all of whom have held their positions and offices since its formation in 1998. The biographies of Messrs. Parks, Cosenza, and Goodwin are set forth above under "-- Inland Affiliated Companies" and the biographies of Mr. Grimes, Ms. Foust and Mr. Wilton are set forth under "-- Our Directors and Executive Officers."

NAME	AGE	POSITION AND OFFICE WITH OUR BUSIN MANAGER/ADVISOR
Daniel L. Goodwin.........................	60	Director
Robert D. Parks...........................	60	Director and president
G. Joseph Cosenza.........................	60	Director
Steven P. Grimes..........................	37	Chief financial officer
Brenda G. Gujral..........................	61	Vice president
Lori J. Foust.............................	39	Vice president and controller
Scott W. Wilton...........................	43	Secretary
Debra J. Randall..........................	48	Assistant vice president and assis controller

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*As of January 1, 2004

DEBRA J. RANDALL joined our business manager/advisor as assistant vice president on January 30, 2004. Ms. Randall is responsible for our financial and SEC reporting. Prior to joining the business manager/advisor, Ms. Randall was a corporate controller for a privately held real estate company and has over 10 years of real estate experience at several public accounting firms. She received her B.A. Degree

in Liberal Arts and is in the process of completing her M.A. Degree from DePaul University. She is a certified public accountant, a member of the Illinois CPA Society and a licensed real estate salesperson.

OUR ADVISORY AGREEMENT

DUTIES OF OUR BUSINESS MANAGER/ADVISOR. Under the terms of our advisory agreement, our business manager/advisor generally has responsibility for our day-to-day operations. This includes the following:

- administering our bookkeeping and accounting functions,

- serving as our consultant in connection with policy decisions to be made by our board, managing our properties or causing them to be managed by another party, and

- rendering other services as our board deems appropriate.

Our business manager/advisor is subject to the supervision of its board and has only such functions as are delegated to it by its board.

TERM OF THE ADVISORY AGREEMENT. The advisory agreement has an initial term of three years and is renewable for successive one-year terms upon the mutual consent of the parties. It may be terminated by either party, by mutual consent of the parties or by a majority of the independent directors or the business manager/advisor, as the case may be, upon 60 days' written notice. If the advisory agreement is terminated, the business manager/advisor must cooperate with us and take all reasonable steps requested by our board to assist it in making an orderly transition of the business management/advisory function. Our board shall determine that any successor business manager/advisor possesses sufficient qualifications to perform the business management/advisory function for us and justify the compensation provided for in its contract with us.

COMPENSATION TO BUSINESS MANAGER/ADVISOR. The advisory agreement provides for the business manager/advisor to be paid:

- an advisor asset management fee after the stockholders have first received a 6% annual return; and

- a property disposition fee; and

- an incentive advisory fee from the net proceeds of a sale of a property after the stockholders have first received a 10% cumulative return and a return of their net investment.

If the business manager/advisor or its affiliates perform services that are outside of the scope of the advisory agreement, we will compensate them at rates and in amounts agreed upon by the business manager/advisor and the independent directors.

The business manager/advisor bears the expenses it incurs in connection with performing its duties under the advisory agreement. These include:

- employee expenses;

- travel and other expenses of its directors, officers and employees;

- rent;

- telephone;

- equipment expenses to the extent they relate to the office maintained by both us and the business manager/advisor; and

- miscellaneous administrative expenses incurred in supervising, monitoring and inspecting real property or our other investments or relating to its performance under the advisory agreement. The business manager/advisor is reimbursed for the cost to it and its affiliates of goods and services used for and by us and obtained from unaffiliated parties. It is also reimbursed for related administrative services. We bear our own expenses for functions the business manager/advisor is not required to perform under the advisory agreement. These generally include capital raising and financing activities, corporate governance matters and other activities not directly related to our properties.

REIMBURSEMENT BY BUSINESS MANAGER/ADVISOR. For any year in which we qualify as a REIT, our business manager/advisor must reimburse us for the amounts, if any:

- by which our total operating expenses paid during the previous fiscal year exceed the greater of

    - 2% of our average assets for that fiscal year or

    - 25% of our net income, before any additions to or allowance for reserves for depreciation, amortization or bad debts or other similar low-cash reserves before any gain from the sale of our assets, for that fiscal year;

- PLUS an amount, so long as it does not exceed the amount of the advisor asset management fee for that year, equal to any deficit between the total amount of distributions to stockholders for such fiscal year and the current return. Current return refers to a cumulative, non-compounded return, equal to 6% per annum on net investment.

The business manager/advisor is also obligated to pay organization and offering expenses in excess of specified levels. See "Compensation Table" for a description of the fees and reimbursements to which the business manager/advisor is entitled. Provided however, only so much of the excess specified in the first bullet point above will be required to be reimbursed as the board, including a majority of the independent directors, determines should justifiably be reimbursed in light of such unanticipated, unusual or non-recurring factors which may have occurred within 60 days after the end of the quarter for which the excess occurred. In this event, the stockholders will be sent a written disclosure and explanation of the factors the independent directors considered in arriving at the conclusion that the higher total operating expenses were justified.

BUSINESS COMBINATION BETWEEN US AND THE BUSINESS MANAGER/ADVISOR. Many REITs that are listed on a national stock exchange or included for quotation on a national market system are considered self-administered, because their employees perform all significant management functions. In contrast, those that are not self-administered, like us, typically engage a third-party, such as our business manager/advisor, to perform management functions on its behalf. If for any reason the independent directors determine that we should become self-administered, the advisory agreement permits the business conducted by the business manager/advisor, including all of its assets, to be acquired by or consolidated into us. A similar provision is included in each management agreement permitting acquisition of the business conducted by the respective property manager, including all of its assets. Until September 15, 2008, such a business combination could only take place with our consent and that of the

business manager/advisor and property managers. After September 15, 2008, we could acquire these companies in a business combination without their consent.

If the businesses conducted by the business manager/advisor and/or a property manager are acquired by or consolidated into us, the business manager/advisor and/or the property manager and/or their respective stockholders or members will receive a number of shares in exchange for terminating their respective management agreements and the release and waiver of all fees payable under them. We will be obligated to pay any fees accrued under such contractual arrangements for services rendered through the closing of the acquisitions.

The number of shares we will issue to the business manager/advisor and/or the property managers, as the case may be, will be determined as follows:

- We will first send an election notice to the business manager/advisor and/or the property manager, as the case may be, of our election to proceed with such a transaction.

- Next, the net income of the business manager/advisor and/or the property manager, as the case may be, for the calendar monthly period immediately preceding the calendar month in which the business combination agreement is signed, as determined by an independent audit conducted in accordance with generally accepted auditing standards, will be annualized. The business manager/advisor or the property manager will bear the cost of the audit.

- The annualized net income will then be multiplied by 90% and divided by our funds from operations per weighted average share. Funds from operations per weighted average share will be equal to our annualized funds from operations per weighted average share for the fiscal quarter immediately preceding the fiscal quarter in which the business combination agreement is signed, all based upon our quarterly report delivered to stockholders.

Funds from operations means net income in accordance with generally accepted accounting principles, excluding gains or losses from sales of properties, plus depreciation on real property and amortization, and after adjustments for unconsolidated partnerships and joint ventures in which we hold an interest.

The resulting quotient will constitute the number of shares to be issued by us to the business manager/advisor or the property manager, or their respective shareholders or members, as the case may be. Delivery of the shares and the closing of the transaction must occur within 90 days of delivery after the election notice.

Under some circumstances, this kind of transaction can be entered into and consummated without seeking specific stockholder approval. See "Conflicts of Interest." Any transaction like this will occur, if at all, only if our board obtains a fairness opinion from a recognized financial advisor or institution providing valuation services to the effect that the consideration to be paid is fair to the stockholders from a financial point of view. If the advisory agreement is terminated for any reason other than our acquisition of the business conducted by the business manager/advisor, then all obligations of the business manager/advisor and its affiliates to offer properties to us will also terminate.

LIABILITY AND INDEMNIFICATION OF BUSINESS MANAGER/ADVISOR. Under the advisory agreement, we are required to indemnify the business manager/advisor and to pay or reimburse reasonable expenses in advance of final disposition of a proceeding with respect to the business manager/advisor's acts or omissions. However, this is only a requirement so long as:

- the business manager/advisor determined in good faith that the course of conduct which caused a loss or liability was in our best interest;

- the business manager/advisor was acting on behalf of or performing services for us;

- the liability or loss was not the result of misconduct on the part of the business manager/advisor; and

- the indemnification or agreement to hold harmless is recoverable only out of our net assets and not from the assets of the stockholders.

We will advance amounts to those entitled to indemnification for legal and other expenses only if:

- the legal action relates to acts or omissions concerning the performance of duties or services by the person seeking indemnification for or on our behalf;

- the legal action is initiated by a third party and a court of competent jurisdiction specifically approves its advancement; and

- the person seeking indemnification who is receiving the advances undertakes to repay the advanced funds to us, together with the applicable legal rate of interest thereon, if such party is found not to be entitled to indemnification.

Although Inland Retail Real Estate Trust, Inc. is no longer offering its securities, it has not fully invested all of its anticipated funds available for investment. Accordingly, material conflicting investment opportunities between them and us could be expected. However, we have primarily focused our purchase of retail centers to those west of the Mississippi River, which is outside Inland Retail Real Estate Trust, Inc.'s primary geographic area of investment. However, if any conflicts do arise, they will be resolved as provided in the property acquisition service agreement.

THE PROPERTY MANAGERS AND THE MANAGEMENT AGREEMENTS

Our present property managers provide property management services to us under the terms of the management agreements. The property managers provide services in connection with the rental, leasing, operation and management of the properties. Our property managers are each Delaware limited liability companies owned by a Delaware limited liability holding company, which in turn is owned by a Delaware corporation owned principally by individuals who are affiliates of The Inland Group. We have agreed to pay the property managers a monthly management fee in an amount no greater than 90% of the fee which would be payable to an unrelated party providing such services, which fee will initially be 4.5% of gross income, as defined in the relevant management agreement, from the properties managed for the month for which the payment is made. In addition, we have agreed to compensate each property manager if it provides us with services other than those specified in the management agreement. There is a separate management agreement for each property for an initial term ending as of December 31 in the year in which the property is acquired, and each management agreement is subject to three successive three-year renewals, unless either party notifies the other in writing of its intent to terminate between 60 and 90 days prior to the expiration of the initial or renewal term. We may terminate with 30 days prior written notice in the event of gross negligence or malfeasance by the property manager. The property managers may subcontract the required property management services for less than the management fee provided in the management agreement. See "Compensation Table -- Nonsubordinated Payments -- Operational Stage." Our property managers may form additional property management companies as necessary to manage the properties we acquire, and may approve of the change of management of a property from one manager to another.

Our property managers, Inland US Management LLC, Inland Southwest Management LLC and Inland Pacific Management LLC, conduct their activities within states where they manager our properties. The principal executive office of the holding company, Inland HOLDCO Management LLC, is located at 2907 Butterfield Road in Oak Brook, Illinois.

See "--The Advisory Agreement" above in this section and "Conflicts of Interest" for a discussion of our option to acquire or consolidate with the business conducted by the property managers.

The following sets forth information with respect to the executive officers and managers of Inland HOLDCO Management LLC.

NAME	AGE*	POSITION AND OFFICE WITH INLAND HOLDCO MANAGEMENT LLC

Thomas P. McGuinness	47	President and manager
Robert M. Barg	50	Senior vice president/treasurer, s and manager
James H. Neubauer	62	Senior vice president
Linda Centanni	49	Vice president
Elizabeth D. McNeely	49	Vice president
Frank Natanek	36	Vice president
Ulana B. Horawelskyj	57	Manager
Alan F. Kremin	57	Manager
Frances c. Panico	54	Manager

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*As of January 1, 2004

THOMAS P. MCGUINNESS joined Inland Property Management in 1982 and became president of Mid-America Management Corporation in July 1990 and chairman in 2001. He is also president of Inland Property Management, Inc. as well as a director of Inland Commercial Property Management. He is chairman and a director of Inland Mid-Atlantic Management Corp. Mr. McGuinness is a licensed real estate broker; and is past president of the Chicagoland Apartment Association, and past regional vice president of the National Apartment Association. He is currently on the board of directors of the Apartment Building Owners and Managers Association, and is a trustee with the Service Employees' Local No. 1 Health and Welfare Fund, as well as the Pension Fund and holds CLS and CSM accreditations from the International Council of Shopping Centers.

ROBERT M. BARG joined the Inland organization in 1986 and is currently the treasurer of Inland Property Management Group, Inc. Since 2003 he has been a senior vice president, secretary and treasurer of Inland Western Management Corp. In July 2004 he became a director of Inland Western Management Corp. as well as a senior vice president , secretary, treasurer, and a director of Inland Northwest Management Corp., Inland Pacific Management Corp., and Inland Southwest Management Corp. He is also a director, senior vice president, and treasurer of Mid-America Management Corp., and secretary and treasurer of Inland Southern Management Corp. He was secretary and treasurer of Inland Southeast Property Management Corp. from 1998 to 2001. Prior to joining the Inland organization, Mr. Barg was an accounting manager of the Charles H. Shaw Co. He received his B.S. Degree in Business Administration from the University of Illinois at Chicago and a Masters Degree from Western Illinois University. Mr. Barg is a certified public accountant and is a member of the Illinois CPA Society.

JAMES H. NEUBAUER joined Inland Property Management in 1978 as an on-site manager. In 1981, he was promoted to the position of director of purchasing. Subsequently, in 1983, he became an on-site property manager and, in 1984, he became the president of Inland Western Property Management. From 1985 to 1996, Mr. Neubauer was president and senior vice president of Mid-America Management where he was responsible for all rental property operations outside the Chicagoland metropolitan area, which included New Hampshire, Arizona, Indiana, Wisconsin and Peoria, Moline and Danville, Illinois. He left Inland in 1996 to pursue other opportunities and rejoined Inland Southeast Property Management Corp. in 1999 as senior vice president and in May 2002 was promoted to president. In June 2004, he became a senior vice president of Inland Northwest Management Corp., Inland Pacific Management Corp., Inland Southwest Management Corp. and Inland Western Management Corp. He is a licensed real estate broker in Florida and holds a B.A. degree from the University of Maryland, a M.A. degree from Ball State University and a M.B.A. degree from Benedictine College.

LINDA CENTANNI joined Mid-America Management Corp. in 1978 in the business office and in 1979 she began working in the accounting department specializing in the area of property management accounts receivable. In 1997 she was promoted to assistant vice president. Her current responsibilities include supervision of 12 people as department head of both accounts receivable and records. In July 2004 she was promoted to a vice president of Inland Northwest Management Corp., Inland Pacific Management Corp., Inland Southwest Management Corp., and Inland Western Management Corp. Ms. Centanni holds an Illinois real estate salesperson license.

ELIZABETH D. MCNEELEY joined Inland Southeast Property Management as a property accountant in January of 2002. In January of 2003 she was promoted to senior property accountant for Inland Western Management Corp., and in July of 2003 was promoted to a vice president of Inland Northwest Management Corp., Inland Pacific Management Corp., Inland Southwest Management Corp., and Inland Western Management Corp. Prior to joining Inland , Ms. McNeeley was an accountant for the Burlington Northern Railroad, Pinnacle Relocation and Trase Miller Teleservices. She also taught mathematics at both the Middle School and Jr. College level. Ms. McNeeley holds a BA from North Central College and an MA from DePaul University. She is a licensed Real Estate Sales Agent.

FRANK NATANEK joined The Inland Group in July 2004 as a vice president of Inland Northwest Property Management Corp., Inland Pacific Management Corp., Inland Southwest Management Corp., and Inland Western Management Corp. Prior to joining Inland, Mr. Natanek worked for the Hallmark Greeting Card Company from October 2002 to March 2004. Mr. Natanek has a degree from St. Xavier, and a law degree from Loyola University. In addition Mr. Natanek holds an MBA from the University of Chicago.

ULANA B. HORALEWSKYJ joined The Inland Group in 1990 and is currently treasurer of Inland Real Estate Exchange Corporation, vice president of Inland Real Estate Investment Corporation and president of Partnership Ownership Corporation. In her capacity as vice president of Inland Real Estate Investment Corporation, Ms. Horalewskyj oversees the cash management and accounting for over 250 Inland private limited partnerships. Prior to joining Inland, she spent four years working for an accounting firm and 10 years in the banking industry. Ms. Horalewskyj received her B.A. from Roosevelt University in Chicago.

ALAN F. KREMIN joined The Inland Group in 1982. Mr. Kremin was promoted to treasurer of The Inland Group, Inland Commercial Property Management, Inc., and various other Inland Group subsidiaries in March 1991. In his current capacity as the chief financial officer of The Inland Group, a position he has held since 1991, his responsibilities include financial management, cash budgeting and corporate taxes for the consolidated group and serving as a director for various Inland Group subsidiaries and outside affiliated entities, for which he also serves as treasurer. He is a director of Inland Southeast Property Management Corp., and in March 2002 he became a director, secretary and treasurer of Inland

Southern Management LLC. In November 2002, he became a director of Mid-Atlantic Management, LLC. Prior to his current position, Mr. Kremin was treasurer of Inland Real Estate Investment Corporation from 1986 to 1990, where he supervised the daily operations of its accounting department. That department encompasses corporate accounting for the general partner of the Inland Real Estate Investment Corporation-sponsored limited partnership investment programs. Prior to joining The Inland Group, Mr. Kremin served for one year as a controller of CMC Realty and three years as assistant controller of JMB Realty Corporation. Prior to his real estate experience, Mr. Kremin worked eight years in public accounting, including four years at Arthur Young & Company. He received his B.S. degree in accounting from Loyola University. Mr. Kremin is a certified public accountant, holds securities and insurance licenses and is a licensed real estate broker.

FRANCES C. PANICO joined The Inland Group in 1972 and is president of Inland Mortgage Servicing Corporation and senior vice president of Inland Mortgage Corporation and Inland Mortgage Investment Corporation. Ms. Panico oversees the operation of loan services, which has a loan portfolio in excess of $4,200,000,000. She previously supervised the origination, processing and underwriting of single-family mortgages, and she packaged and sold mortgages to secondary markets. Ms. Panico's other primary duties for The Inland Group have included coordinating collection procedures and overseeing the default and resolution process. Ms. Panico received her BA Degree in Business Communication from Northern Illinois University.

The following sets forth information with respect to the executive officers and managers of Inland US Management LLC.

NAME	AGE*	POSITION AND OFFICE WITH INLAND US MANAGEMENT LLC
Thomas P. McGuinness	47	President and manager
Robert M. Barg	50	Senior vice president/treasurer, secret and manager
Linda Centanni	49	Vice President
Elizabeth D. McNeely	49	Vice President
Frank Natanek	30	Vice President
Lawrence R. Sajdak, Jr.	24	Assistant vice president
Steven Yee	37	Assistant vice president
Anthony A. Casaccio	48	Manager
Alan F. Kremin	57	Manager
Pamela C. Stewart	47	Manager

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*As of January 1, 2004

The biographies of Mr. McGuinness, Mr. Barg, Ms. Centanni, Ms. McNeely, Mr. Natanek and Mr. Kremin are set forth above.

LAWRENCE R. SAJDAK joined The Inland Group in September 1998 as a college intern, working every summer and holiday season. He started in the marketing department and soon became proficient in other departments in management. He has degrees in chemistry and business from North Central College. Prior to joining Inland he was employed by Cintas Corporation. Mr. Sajdak returned to Inland in December 2002 as a department head in the business management department, and subsequently became a property manager. In July 2004 Mr. Sajdak was promoted to an assistant vice president of Inland

Northwest Property Management Corp. He is a member of the International Council of Shopping Centers.

STEVEN YEE joined The Inland Group in February of 2004 as a senior property manager, and in July 2004, Mr. Yee was promoted to assistant vice president of Inland Northwest Property Management Corp. Prior to joining Inland he worked for Manulife Financial. His was also the director of operations for MB real estate and a retail property manager for Trammel Crow. His real estate experience includes managing and leasing retail shopping centers in the greater Chicagoland area. Mr. Yee attended DePaul University, receiving a degree in real estate finance. He is a licensed real estate broker, and a member of the International Council of Shopping Centers, and holds CPM and CCIM designations.

ANTHONY A. CASACCIO joined The Inland Group in 1984 working for Inland Condo Association Management. From 1987 to 1991 he was president of Partnership Asset Sales Corporation, and in 1991 when Inland Real Estate Development Corporation was formed, Mr. Casaccio became the president and a director. Mr. Casaccio holds a B.S. degree in accounting from DePaul University. He is a member of the DuPage Association of Realtors, the National Association of Realtors, Northern Illinois Commercial Association of Realtors, the National Home Builders Association, the Realtor Association of the Western Suburbs, The Urban Land Institute and the Oswego Economic Development Corporation. Mr. Casaccio is a licensed real estate broker in the state of Illinois.

PAMELA C. STEWART joined Midwest Real Estate Equities, Inc., an affiliate of The Inland Group in 1995 as an acquisition specialist. Prior to joining Midwest Equities, Ms. Stewart worked for another affiliate company, New Directions Housing Corporation (NDHC), a not-for-profit organization that develops affordable housing. In 2002, Ms. Stewart became an assistant vice president and in 2004, she was promoted to vice president of Midwest Real Estate Equities, Inc. Ms. Stewart is responsible for acquiring commercial real estate properties for the company's portfolio and investing corporate funds into redevelopment projects, including rental properties, shopping centers, office buildings and industrial buildings. Ms. Stewart is also the corporate asset management director for The Inland Real Estate Group of Companies. Ms. Stewart has a B.A. degree in Marketing from Roosevelt University. She is a member of the National Association of Realtors, the Northern Illinois Commercial Association of Realtors and she is a Certified Commercial Investment Member (CCIM) and Candidate. She holds a real estate broker's license in the state of Illinois.

The following sets forth information with respect to the executive officers and managers of Inland Pacific Management LLC.

NAME	AGE*	POSITION AND OFFICE WITH INLAND PACIFIC MANAGEMENT LLC
Thomas P. McGuinness	47	President and manager
Robert M. Barg	50	Senior vice president/treasurer, s
James H. Neubauer	62	Senior vice president and manager
Linda Centanni	49	Vice President
Elizabeth D. McNeely	49	Vice President
Frank Natanek	30	Vice President
David M. Benjamin	49	Manager
Alan F. Kremin	57	Manager

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*As of January 1, 2004

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The biographies of Mr. McGuinness, Mr. Barg, Mr. Neubauer, Ms. Centanni, Ms. McNeely, Mr. Natanek and Mr. Kremin are set forth above.

DAVID M. BENJAMIN joined The Inland Group in 1983 in the accounting department and is controller of The Inland Real Estate Group. Mr. Benjamin has spent his entire accounting career in the real estate industry, working for American Invesco and Draper and Kramer before coming to Inland. Mr. Benjamin is responsible for the accounting and corporate income tax preparation of various Inland entities and he assists in the day to day oversight of The Inland Real Estate Group accounting department. Mr. Benjamin is a CPA.

The following sets forth information with respect to the executive officers and Managers of Inland Southwest Management LLC.

NAME	AGE*	POSITION AND OFFICE WITH INLAND SOUTHWEST MANAGEMENT LLC
Thomas P. McGuinness	47	President and manager
Robert M. Barg	50	Senior vice president/treasurer, s manager
James H. Neubauer	62	Senior vice president
Linda Centanni	49	Vice President
Elizabeth D. McNeely	49	Vice President
Frank Natanek	30	Vice President
Alan F. Kremin	57	Manager
Ulana B. Horalewskyj	57	Manager
Frances C. Panico	54	Manager

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*As of January 1, 2004

The biographies of Mr. McGuinness, Mr. Barg, Mr. Neubauer, Ms. Centanni, Ms. McNeely, Mr. Natanek, Ms. Horalewskyj, Mr. Kremin and Ms. Panico are set forth above.

INLAND SECURITIES CORPORATION

Inland Securities Corporation, our managing dealer, was formed in 1984. It is registered under the applicable federal and state securities laws and is qualified to do business as a securities broker-dealer throughout the United States. Since its formation, the managing dealer has provided the marketing function for distribution of the investment products sponsored by our sponsor. It does not render these services to anyone other than affiliates of The Inland Group, and it does not focus its efforts on the retail sale side of the securities business. It is a member firm of the National Association of Securities Dealers, Inc.

The following table sets forth information with respect to the directors, officers and principal employees of Inland Securities Corporation involved in national sales and marketing activities of Inland Securities Corporation. The biography of Mr. Parks is set forth above under "-Inland Affiliated Companies" in this section and the biographies of Mrs. Gujral and Ms. Matlin are set forth above under "-Our Directors and Executive Officers" in this section.

NAME	AGE*	POSITION AND OFFICE WITH OUR MANAGING DEALER

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Brenda G. Gujral....................	61	President, chief operating officer and di
Roberta S. Matlin...................	59	Vice president and director
Catherine L. Lynch..................	45	Treasurer, secretary and director
Robert D. Parks.....................	60	Director
Brian Conlon........................	45	Executive vice president
R. Martel Day.......................	54	Executive vice president - national sales marketing
Fred C. Fisher......................	59	Senior vice president
David Bassitt.......................	61	Senior vice president
John Cunningham.....................	45	Senior vice president
Tomas Giardino......................	29	Vice president
Curtis Shoch........................	31	Vice president
Shawn Vaughan.......................	32	Vice president
Mark Lavery.........................	28	Vice president
Ralph Rudolph.......................	40	Vice president
Robert J. Babcock...................	28	Vice president
Frank V. Pinelli....................	57	Vice president
Matthew Podolsky....................	32	Vice president
Darrell Rau.........................	48	Vice president
Jeffrey S. Hertz....................	30	Vice president
Carl Pikus..........................	37	Vice president
Nathan Rachels......................	29	Vice president
Michele Sorce.......................	39	Assistant vice president and controller

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*As of January 1, 2004

CATHERINE L. LYNCH joined the Inland organization in 1989 and is the treasurer/secretary of our sponsor. Ms. Lynch is responsible for managing the corporate accounting department of our sponsor. Ms. Lynch is also the treasurer/secretary and a director of Inland Securities Corporation and treasurer of Inland Retail Real Estate Advisory Services and Inland Investment Advisors, Inc. Prior to joining the Inland organization, Ms. Lynch worked in the field of public accounting for KPMG Peat Marwick LLP since 1980. She received her B.S. Degree in Accounting from Illinois State University. Ms. Lynch is a certified public accountant and a member of the American Institute of Certified Public Accountants and the Illinois CPA Society. She is registered with the National Association of Securities Dealers, Inc. as a financial operations principal.

BRIAN M. CONLON joined Inland Securities Corporation as executive vice president in September 1999. Prior to joining Inland, Mr. Conlon was executive vice president and chief operating officer of Wells Real Estate Funds, where he was responsible for overseeing day to day operations of the firm's real estate investment and capital raising initiatives. Mr. Conlon is a General Securities Principal, is licensed as a real estate broker in Georgia, and has earned the Certified Financial Planner and Certified Commercial Investment Member designations. Mr. Conlon currently serves on the national board of directors for the Financial Planning Association. Mr. Conlon holds Series 7, 24 and 63 licenses with the National Association of Securities Dealers, Inc.

R. MARTEL DAY is executive vice president and national sales director for Inland Securities Corporation, and he is responsible for the sale of Inland's investment products nationwide. Mr. Day joined

Inland in 1984 as a regional representative in the southeast. Since then, he has served as regional vice president, senior vice president and national marketing director.

Mr. Day graduated with an Engineering degree from the Georgia Institute of Technology. He is a member of the board of directors of the Investment Program Association (IPA), a member of the Financial Planning Association (FPA), and the National Association of Real Estate Investment Trusts (NAREIT). He holds General Securities and Registered Investment Advisor licenses with the National Association of Securities Dealers, Inc.

FRED C. FISHER is a senior vice president of Inland Securities Corporation, which he joined in 1984. Mr. Fisher began his career with Inland Securities Corporation as regional vice president for the Midwest region. In 1994, he was promoted to senior vice president. Mr. Fisher received his bachelor's degree from John Carroll University. Before joining Inland Securities Corporation, he spent nine years as a regional sales manager for the S.S. Pierce Company. Mr. Fisher holds Series 7, 22 and 63 licenses with the National Association of Securities Dealers, Inc.

DAVID BASSITT joined Inland Securities Corporation as a senior vice president in March 2001. Prior to joining Inland, Mr. Bassitt was director of financial services with AEI Fund Management, Inc. and was responsible for wholesaling public and private net lease real estate investments and 1031 property exchanges to financial planners. Mr. Bassitt received his bachelor's degree from Ferris State University, and a master's degree from St. Cloud University. Mr. Bassitt holds Series 6, 7, 22 and 63 licenses with the National Association of Securities Dealers, Inc.

JOHN CUNNINGHAM is a senior vice president of Inland Securities Corporation. He joined an affiliate of The Inland Group in January 1995 as a commercial real estate broker. In March 1997, Mr. Cunningham was hired by Inland Securities Corporation as a regional representative for the western region, and he was promoted to a vice president in 1999. In 2002, he became senior vice president of the western region. Mr. Cunningham graduated from Governors State University with a B.S. degree in business administration, concentrating in marketing. Before joining the Inland organization, Mr. Cunningham owned and operated his own business and developed real estate. He holds Series 7 and Series 63 licenses with the National Association of Securities Dealers, Inc.

TOMAS GIARDINO joined Inland Securities Corporation as vice president in September 2000. Prior to joining Inland, Mr. Giardino was the director of mutual fund sales at SunAmerica Securities, where he was responsible for increasing the market share of nine focus firms at the broker dealer. Mr. Giardino entered the securities industry in January 1999. Prior to entering the securities industry, Mr. Giardino was in the advertising field for four years. Mr. Giardino received his B.A. in political science from Arizona State University in May 1998. He holds Series 7, 63 and 65 licenses with the National Association of Securities Dealers, Inc.

CURTIS SHOCH joined Inland Securities Corporation as vice president in January 2000. Prior to joining Inland, Mr. Shoch was assistant vice president at Wells Real Estate Funds, where he was responsible for launching new real estate investment alternatives in the southeastern United States. Mr. Shoch began his career in 1994 with Keogler Investment Advisory Services. Mr. Shoch graduated from Lynchburg College in Lynchburg, Virginia in 1994 with a major in marketing and an emphasis in finance. He is a Registered Representative as well as a Registered Investment Advisor. Mr. Shoch holds Series 7, 63 and 65 licenses with the National Association of Securities Dealers, Inc.

SHAWN VAUGHAN joined Inland Securities Corporation as vice president in August 2000. Prior to joining Inland, Mr. Vaughan was assistant vice president at Wells Real Estate Funds, where he was responsible for marketing real estate investments in the mid-Atlantic region. Mr. Vaughan started his career in financial services in 1994 on the retail side of the business with a successful financial planning

firm. During this time, he was responsible for handling every aspect of the financial planning process. Mr. Vaughan holds Series 7 and 63 licenses with the National Association of Securities Dealers, Inc.

MARK LAVERY joined Inland Securities Corporation as a vice president in April 2001. Prior to joining Inland, Mr. Lavery was with Charles Schwab, where he was on an active trade team. Mr. Lavery began his career with Investment Planners. Mr. Lavery graduated from Milliken University in 1997 with a B.S. in finance. Mr. Lavery holds Series 7 and 66 licenses with the National Association of Securities Dealers, Inc.

RALPH RUDOLPH joined Inland Securities Corporation in 1995 as a regional representative for Midwest team and was promoted to a vice president in 2000. Prior to joining Inland, Mr. Rudolph served in the United States Marine Corp. and worked for another broker-dealer. He is a graduate of Elmhurst College with a degree in business administration. Mr. Rudolph holds Series 7 and 63 licenses with the National Association of Securities Dealers, Inc.

ROBERT J. BABCOCK joined Inland Securities Corporation as a vice president in March 2004. Prior to joining Inland, Mr. Babcock was an external wholesaler with AEI Fund Management, Inc. and was responsible for wholesaling public and private net lease real estate investments and 1031 property exchanges to financial planners. Mr. Babcock began his career as a financial advisor with American Express Financial Advisors in 1999. He received his bachelor's degree from Gustavus Adolphus College. Mr. Babcock holds Series 7 and 63 licenses with the National Association of Securities Dealers, Inc.

FRANK V. PINELLI joined Inland Securities Corporation in 2004 as a vice president. He was previously employed with The Inland Group from 1973-1983 where he worked in property management, real estate sales, and real estate acquisitions. Prior to rejoining the Inland staff, from 1984-2003 Mr. Pinelli was a principal in his own real estate firm and developed an international marketing organization. Mr. Pinelli is a graduate of Southern Illinois University. He holds Series 7 and 63 licenses with the National Association of Securities Dealers, Inc and also is licensed as a real estate broker in Illinois and Oregon.

MATTHEW PODOLSKY joined Inland Securities Corporation as a vice president in April 2003. Mr. Podolsky started his career in real estate in 1994 on the commercial sales and leasing side with Cushman and Wakefield of California, Inc. Prior to joining Inland Securities Corporation he was a vice president at CB Richard Ellis, Inc. Mr. Podolsky graduated from the University of Arizona with a B.S. in Regional Development/Urban Planning. He holds Series 7 and 63 licenses with the National Association of Securities Dealers, Inc. and a real estate license in the state of California.

DARRELL RAU joined Inland Securities Corporation in 2004 as a vice president of the midwest region where he develops sales and new broker/dealer relationships. Prior to joining Inland in 2004, Mr. Rau was vice president of developing markets at CTE Pension Advisors. Mr. Rau graduated magna cum laude from Northwood University in Midland, Michigan with a degree in Business Administration. He holds Series 6,7,62 and 63 licenses with the National Association of Securities Dealers, Inc.

JEFFREY S. HERTZ joined Inland Securities Corporation as a vice president in September 2004. Mr. Hertz started his career in the securities industry in 2000 with Nuveen Investments as a trader, working with unit investment trusts and exchange traded funds. Prior to joining Inland Securities Corporation, he was an advisor services representative for Nuveen. Mr. Hertz graduated from the University of Oregon with a B.A. in psychology. He holds Series 7, 63 and 65 licenses with the National Association of Securities Dealers, Inc.

CARL PIKUS joined Inland Securities Corporation as a vice president in September 2004. His responsibilities include development of new broker/dealer relationships for Inland in the Midwest. Prior

to joining Inland, Mr. Pikus was a Midwest sales manager for Ultimus, a software company, managing existing clients and establishing new accounts. He has worked in the same capacity for other IT companies. Mr. Pikus is a University of Wisconsin graduate.

NATHAN RACHELS joined Inland Securities Corporation as vice president in September 2004. Prior to joining Inland Mr. Rachels was assistant vice president at Wells Real Estate Funds, where he was responsible for marketing real estate investments in the southeast region of the United States. Mr. Rachels began his career in financial services in 1997 on the retail side of the business, with a successful planning firm and then was an account manager at Deutsche Bank.

He graduated from the University of Alabama with double majors in Public Relations and Business. Mr. Rachels holds Series 7 and 63 licenses with National Association of Securities Dealers.

MICHELE SORCE joined Inland Securities as assistant vice president and controller in November 2003. Michele started her career with Inland almost 19 years ago. She served as controller for Inland Commercial, Residential and Real Estate Auction companies. She received a B.S. Degree in Accounting from Elmhurst College. She is registered with the National Association of Securities Dealers, Inc. as a financial operations principal and also holds an Illinois Real Estate Broker's license.

LIMITATION OF LIABILITY AND INDEMNIFICATION OF DIRECTORS, OFFICERS AND OUR BUSINESS MANAGER/ADVISOR

The laws that we are subject to and our articles of incorporation provide that our business manager/advisor and directors are deemed to be in a fiduciary relationship to us and our stockholders and that our directors have a fiduciary duty to the stockholders to supervise our relationship with the business manager/advisor.

Maryland law provides that a director has no liability in the capacity as a director if he performs his duties in good faith, in a manner he reasonably believes to be in our best interests, and with the care that an ordinarily prudent person in a like position would use under similar circumstances. Maryland law also provides that an act by a director of a Maryland corporation is presumed to satisfy the standards of the preceding sentence. Our articles of incorporation and bylaws provide that the liability of our directors and officers is limited to the fullest extent permitted by Maryland law and that none of our directors and officers will be liable to us or to any of our stockholders for money damages, including for breach of their fiduciary duty to us. As a result, our directors and officers will not be liable for monetary damages unless:

- the person actually received an improper benefit or profit in money, property or services; and

- the person is adjudged to be liable based on a finding that the person's action, or failure to act, was the result of active and deliberate dishonesty and was material to the cause of action adjudicated in the proceeding.

Maryland law provides that a corporation may indemnify any director, officer, employee or agent, unless it is established that:

- the act or omission of the person was material to the matter giving rise to the proceeding, and

  - was committed in bad faith, or

  - was the result of active and deliberate dishonesty;

- the person actually received an improper personal benefit in money, property or services; or

- in the case of any criminal proceeding, the person had reasonable cause to believe the act or omission was unlawful.

Except as described below, our articles of incorporation authorize and direct us to indemnify and pay or reimburse reasonable expenses to any director, officer, employee or agent we employ, and the business manager/advisor and its affiliates, to the fullest extent permitted by Maryland law. As long as we qualify as a REIT we will not indemnify or reimburse the expenses of any director, officer, employee, agent or the business manager/advisor or its affiliates unless:

- the directors have determined, in good faith, that the course of conduct which caused the loss or liability was in our best interests;

- the person seeking indemnification was acting on our behalf or performing services for us;

- the liability or loss was not the result of negligence or misconduct on the part of the person seeking indemnification, except that if the person seeking indemnification is or was an

independent director, the liability or loss will not have been the result of gross negligence or willful misconduct; and

- such indemnification or agreement to be held harmless is recoverable only out of our net assets and not from the assets of the stockholders.

As long as we qualify as a REIT, we will not indemnify any director, officer, employee, agent or the business manager/advisor or its affiliates for losses, liabilities or expenses arising from or out of an alleged violation of federal or state securities laws unless one or more of the following conditions are met:

- there has been a successful adjudication on the merits of each count involving alleged securities law violations;

- the claims have been dismissed with prejudice on the merits by a court of competent jurisdiction; or

- a court of competent jurisdiction approves a settlement of the claims and finds that indemnification of the settlement and related costs should be made, and the court considering the request has been advised of the position of the Securities and Exchange Commission and the published position of any state securities regulatory authority in which our securities were offered and sold as to indemnification for securities law violations.

We will advance amounts to a person entitled to indemnification for legal and other expenses and costs incurred as a result of any legal action for which indemnification is being sought only in accordance with Maryland law and, as long as we qualify as a REIT, only if all of the following conditions are satisfied:

- the legal action relates to acts or omissions relating to the performance of duties or services by the person seeking indemnification for us or on our behalf;

- the legal action is initiated by a third party who is not a stockholder or the legal action is initiated by a stockholder acting in his or her capacity as such and a court of competent jurisdiction specifically approves advancement; and

- the person seeking indemnification undertakes in writing to repay us the advanced funds, together with interest at the applicable legal rate of interest, if the person seeking indemnification is found not to be entitled to indemnification.

We may purchase and maintain insurance or provide similar protection on behalf of any director, officer, employee, agent or the business manager/advisor or its affiliates against any liability asserted which was incurred in any such capacity with us or arising out of such status; provided, however, that we will not incur the costs of any liability insurance which insures any person against liability for which he, she or it could not be indemnified under our articles of incorporation or bylaws. We may enter into any contract for indemnity and advancement of expenses with any director, officer, employee or agent as may be determined by the board and as permitted by law. We have not purchased insurance on behalf of any person but we intend to do so in the future.

We have entered into separate indemnification agreements with each of our directors and some of our executive officers. The indemnification agreements will require that we indemnify our directors and officers to the fullest extent permitted by law, and advance to the directors and officers all related expenses, subject to reimbursement if it is subsequently determined that indemnification is not permitted. The agreements provide that we also must indemnify and advance all expenses incurred by directors and

officers seeking to enforce their rights under the indemnification agreements and cover directors and officers under our directors' and officers' liability insurance, if any. Although the indemnification agreements offer substantially the same scope of coverage afforded by provisions in our articles of incorporation and the bylaws, they provide greater assurance to directors and officers that indemnification will be available, because as a contract, it cannot be unilaterally modified by the board or by the stockholders to eliminate the rights it provides.

We have been advised that, in the opinion of the Securities and Exchange Commission, any indemnification that applies to liabilities arising under the Securities Act is contrary to public policy and, therefore, unenforceable.

PRINCIPAL STOCKHOLDERS

The following table provides information as of December 7, 2004 regarding the number and percentage of shares beneficially owned by each director, each executive officer, all directors and executive officers as a group and any person known to us to be the beneficial owner of more than 5% of our outstanding shares. As of December 7, 2004, no stockholder beneficially owned more than 5% of our outstanding shares. As of December 7, 2004, we had approximately 56,000 stockholders of record and approximately 199,433,713 shares of common stock outstanding. Beneficial ownership includes outstanding shares and shares which are not outstanding that any person has the right to acquire within 60 days after the date of this table. However, any such shares which are not outstanding are not deemed to be outstanding for the purpose of computing the percentage of outstanding shares beneficially owned by any other person. Except as indicated, the persons named in the table have sole voting and investing power with respect to all shares beneficially owned by them.

BENEFICIAL OWNER	NUMBER OF SHARES BENEFICIALLY OWNED		PE
Robert D. Parks	98,100.9094	(1)	
Roberta S. Matlin	176.8117		
Scott W. Wilton	0		
Steven P. Grimes	0		
Lori A. Foust	0		
Brenda G. Gujral	0		
Frank A. Catalano, Jr.	2,000	(2)	
Kenneth H. Beard	2,000	(2)	
Paul R. Gauvreau	113,731.8436	(2)	
Gerald M. Gorski	4,002.0800	(2)	
Barbara A. Murphy	2,000	(2)	
All directors and executive officers as a group (12 persons)	222,011.6447	(1)	

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*Less than 1%

(1) Includes 20,000 shares owned by our business manager/advisor. Our business manager/advisor is a wholly-owned subsidiary of our sponsor, which is an affiliate of The Inland Group. Mr. Parks is a control person of The Inland Group and disclaims beneficial ownership of these shares owned by our business manager/advisor.

(2) Includes 2,000 shares issuable upon exercise of options granted to each independent director under our independent director stock option plan, to the extent that such options are currently exercisable or will become exercisable within 60 days after the date of this table.

OUR STRUCTURE AND FORMATION

We were formed in March 2003 as a Maryland corporation. Our articles of incorporation and bylaws became operative on March 5, 2003. Our existence is perpetual.

STRUCTURE

We intend to own all of our assets, either directly or indirectly. Our business manager/advisor contributed $200,000 to us for 20,000 shares of our common stock to form us. Our business manager/advisor has agreed to not sell their initial investment while the business manager/advisor remains our sponsor, but may transfer these shares to its own affiliates. A REIT may conduct some of its business and hold some of its interests in properties in "qualified REIT subsidiaries," which must be owned 100% by the REIT or through "taxable REIT subsidiaries" which may be wholly or partially owned. Although we currently do not intend to have any qualified REIT subsidiaries, we may in the future decide to conduct some business or hold some of our interests in properties in qualified REIT subsidiaries.

See "How We Operate - Organizational Chart" for a diagram depicting the services rendered by our affiliates to us, as well as our organizational structure.

Prior to this offering, if all of the 250,000,000 shares from our first offering are sold, the business manager/advisor's 20,000 shares represent .008% of the outstanding shares. If all of the 250,000,000 shares from our first offering are sold for gross offering proceeds of $2,500,000,000 and if all of the 250,000,000 of the shares offered by this prospectus are sold for gross offering proceeds of $2,500,000,000 as set forth on the cover page of this prospectus, assuming no other shares are issued or sold, the business manager/advisor's 20,000 shares will then represent only .004% of the outstanding shares.

We have formed entities to acquire each of the properties currently owned by us. We may form entities to acquire additional properties. They will be owned or controlled directly or indirectly by us. In the case of the properties currently owned by us, the entities that own our properties are all directly or indirectly owned by us.

Robert D. Parks, Brenda G. Gujral, Roberta S. Matlin, Daniel L. Goodwin, Steven P. Grimes and Lori J. Foust are considered our promoters. Mr. Parks is our chairman and a director. Ms. Gujral is a director. Ms. Matlin is our vice president. Mr. Grimes is our Principal Financial Officer and Ms. Foust is our Principal Accounting Officer. None of our promoters are employed by us. Other than Mr. Parks and Ms. Gujral, Ms. Matlin, Mr. Grimes and Ms. Foust, none of our promoters are officers or directors of us.

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SELECTED FINANCIAL DATA

The following table sets forth selected financial information about us, and should be read in conjunction with the "Management's Discussion and Analysis of Our Consolidated Financial Condition and Results of Operation" and the Financial Statements and related notes included elsewhere in this prospectus.

The following net income (loss) and distributions per share basic and diluted are based upon the weighted average number of common shares outstanding for the period. For the period from March 5, 2003 (inception) to December 31, 2003 the distributions per common share are based upon the weighted average number of common shares outstanding for the period from October 2, 2003 (first day shares were sold to the public) to December 31, 2003. For the period from March 5, 2003 (inception) to December 31, 2003, $357,790 (or 100% of the distributions paid for 2003) represented a return of capital due to the tax loss in 2003.

		FOR THE NINE MONTHS ENDED 30-SEPT-04	PERIOD FROM MARCH 5, 2003 (INCEPTION) THROUGH 30-SEPT-03	M
Total assets..............................	$	2,672,152,034	1,584,105	
Mortgages payable.........................	$	1,141,248,461	0	
Total income..............................	$	69,766,533	0	
Net income (loss).........................	$	4,413,798	(42,544)	
Net income (loss) per common share, basic and diluted.......................	$	0.06	(2.13)	
Distributions declared....................	$	35,132,000	0	
Distributions per weighted average common share	$	0.50	0	
Funds from operations	$	29,217,346	0	
Cash flows provided by operating activities..............................	$	39,961,000	(74,021)	
Cash flows used in investing activities.....	$	(2,015,984,000)	0	(
Cash flows provided by financing activities..............................	$	2,192,056,000	274,021	
Weighted average number of common shares outstanding, basic and diluted.....		70,052,000	20,000	

The distributions per common share are based upon the weighted average number of common shares outstanding for the period from October 2, 2003 (first day shares were sold to the public) to December 31, 2003.

One of our objectives is to provide cash distributions to our stockholders from cash generated by our operations. Cash generated from operations is not equivalent to our net income from continuing

operations as determined under Generally Accepted Accounting Principles in the United States of America or GAAP. Due to certain unique operating characteristics of real estate companies, the National Association of Real Estate Investment Trusts or NAREIT, an industry trade group, has promulgated a standard known as "Funds from Operations" or "FFO" for short, which it believes more accurately reflects the operating performance of a REIT such as us. As defined by NAREIT, FFO means net income computed in accordance with GAAP, excluding gains (or losses) from sales of property, plus depreciation on real property and amortization, and after adjustments for unconsolidated partnerships and joint ventures in which the REIT holds an interest. We have adopted the NAREIT definition for computing FFO because management believes that, subject to the following limitations, FFO provides a basis for comparing our performance and operations to those of other REITs. The calculation of FFO may vary from entity to entity since capitalization and expense policies tend to vary from entity to entity. Items which are capitalized do not impact FFO, whereas items that are expensed reduce FFO. Consequently, our presentation of FFO may not be comparable to other similarly-titled measures presented by other REITs. FFO is not intended to be an alternative to "Net Income" as an indicator of our performance nor to "Cash Flows from Operating Activities" as determined by GAAP as a measure of our capacity to pay distributions. We believe that FFO is a better measure of our operating performance because FFO excludes non-cash items from GAAP net income. This allows us to compare our relative property performance to determine our return on capital. Management uses the calculation of FFO for several reasons. We use FFO to compare our performance to that of other REITs in our peer group. Additionally, we use FFO in conjunction with our acquisition policy to determine investment capitalization strategy. FFO is calculated as follows:

	FOR THE NINE MONTHS ENDED 30-SEPTEMBER-04	PERIO 2003 (IN 3
Net income (loss)	$ 4,413,798	$
Depreciation and amortization related to investment properties	24,803,548	
Funds from operations (1)	$ 29,217,346	$

(1) FFO does not represent cash generated from operating activities calculated in accordance with GAAP and is not necessarily indicative of cash available to fund cash needs. FFO should not be considered as an alternative to net income as an indicator of our operating performance or as an alternative to cash flow as a measure of liquidity.

INVESTMENT OBJECTIVES AND POLICIES

GENERAL

Our investment objectives are to:

- make regular distributions to the stockholders, which may be in amounts which may exceed our taxable income due to the non-cash nature of depreciation expense and, to such extent, will constitute a tax-deferred return of capital, but in no event less than 90% of our taxable income;

- provide a hedge against inflation by entering into leases which contain clauses for scheduled rent escalations or participation in the growth of tenant sales, permitting us to increase distributions and realize capital appreciation; and

- preserve stockholders' capital.

It is our policy to acquire properties primarily for income as distinguished from primarily for possible capital gain.

DISTRIBUTIONS

Federal income tax law requires that a REIT distribute annually at least 90% of its REIT Taxable Income. See "Federal Income Tax Considerations -- Federal Income Taxation as a REIT." In order to qualify for REIT status we may be required to make distributions in excess of cash available. For a discussion of the tax treatment of distributions to you, see "Federal Income Tax Considerations."

We anticipate that distributions will be paid to our domestic stockholders on a monthly basis and to our foreign stockholders on a quarterly basis. Distributions will be at the discretion of the board. Our ability to pay distributions and the size of these distributions will depend upon a variety of factors. We cannot assure that distributions will continue to be made or that any particular level of distributions established in the future, if any, will be maintained by us.

At the March 19, 2004 regularly scheduled board meeting, the board unanimously approved a resolution to delegate to our management committee, which includes our chief executive officer, principal financial officer, principal accounting officer and secretary, the authority to make monthly distributions to stockholders on our common stock in an amount between 6.0% and 7.25% on an annualized basis, for the remainder of the 2004 calendar year.

Our board approved the following distributions payable to holders of our common stock:

- $.30 per share per annum for the stockholders of record on October 31, 2003, payable on November 10, 2003;

- $.50 per share per annum for the stockholders of record on November 30, 2003, payable on December 10, 2003;

- $.70 per share per annum for the stockholders of record on December 31, 2003, payable on January 10, 2004;

- $.70 per share per annum for the stockholders of record on January 31, 2004, payable on February 10, 2004;

- $.70 per share per annum for the stockholders of record on February 29, 2004, payable on March 10, 2004;

- $.70 per share per annum for the stockholders of record on March 31, 2004, payable on April 10, 2004;

- $.67 per share per annum for the stockholders of record on April 30, 2004, payable on May 10, 2004;

- $.675 per share per annum for the stockholders of record on May 31, 2004, payable on June 10, 2004;

- $.65 per share per annum for the stockholders of record on June 30, 2004, payable on July 10, 2004;

- $.65 per share per annum for the stockholders of record on July 31, 2004, payable on August 10, 2004;

- $.65 per share per annum for the stockholders of record on August 31, 2004, payable on September 10, 2004;
- $.65 per share per annum for the stockholders of record on September 30, 2004, payable on October 10, 2004;
- $.65 per share per annum for the stockholders of record on October 31, 2004, payable on November 10, 2004; and
- $.65 per share per annum for the stockholders of record on November 30, 2004, payable on December 10, 2004.

TYPES OF INVESTMENTS

We were formed to acquire and manage a portfolio of real estate which is diversified by geographical location and by type and size of retail centers. Our properties will consist of real estate primarily improved for use as retail establishments, principally multi-tenant shopping centers. We believe that our real estate will be located primarily in the states west of the Mississippi River in the United States. We will endeavor to acquire multiple properties within the same major metropolitan markets where acquisitions result in efficient property operations with the potential to achieve market leverage. See "Real Property Investments -- General."

Most of these properties will be subject to "net" leases. "Net" leases typically require tenants to pay a share, either pro rata or fixed, of all or a majority of the operating expenses. Operating expenses include real estate taxes, special assessments, utilities, insurance, common area maintenance and building repairs related to the property, as well as base rent payments.

We may also acquire real estate improved with other commercial facilities which provide goods and services as well as those leased on a double or triple-net-lease basis which are either commercial or retail. Triple-net-leases also require the tenant to pay a base minimum annual rent with periodic increases. We may enter into sale and leaseback transactions in which we will purchase a property and lease the property to the seller of the property.

To provide us with a competitive advantage over potential purchasers of properties who must secure financing, we intend to acquire properties free and clear of permanent mortgage debt. We will do this by paying the entire purchase price of property in cash, shares, interest in entities that own our properties or a combination of any of these. We may incur debt of a property to acquire properties where our board determines that incurring such debt is in our best interest. In addition, from time to time, we intend to acquire some properties without financing and later incur mortgage debt secured by selected or all such properties if favorable financing terms are available. We will use the proceeds from such loans to acquire additional properties. See "Borrowing" under this section for a more detailed explanation of our borrowing intentions and limitations.

We may purchase properties subject to completion of construction in accordance with terms and conditions we specify. In these cases, we will be obligated to purchase the property at the completion of construction, if construction conforms to definitive plans, specifications and costs approved by us and embodied in the construction contract, as well as, in most instances, satisfaction that agreed upon percentages of the property are leased. We will receive a certificate of an architect, engineer or other appropriate party, stating that the property complies with all plans and specifications. We may construct or develop properties, and render services in connection with the development or construction, subject to compliance with applicable requirements under federal income tax laws. Construction and development activities will expose us to risks such as cost overruns, carrying costs of projects under construction and development, availability and costs of materials and labor, our inability to obtain tenants, weather conditions, and government regulation.

See "- Investment Limitations" under this section and "Summary of Our Organizational Documents -- Restrictions on Investments" for investment limitations.

PROPERTY ACQUISITION STANDARDS

We have signed a property acquisition service agreement with Inland Real Estate Acquisitions, Inc. Under that agreement, Inland Real Estate Acquisitions has agreed to seek properties for us and to perform due diligence on the properties and negotiate the terms of the purchase. Through its experience with the acquisition of over 1,000 real properties by our affiliates, the business manager/advisor believes Inland Real Estate Acquisitions has the ability to identify quality real properties capable of meeting our investment objectives. When evaluating property, Inland Real Estate Acquisitions will consider a number of factors, including a real property's:

- geographic location and type;

- construction quality and condition;

- current and projected cash flow;

- potential for capital appreciation;

- lease rent roll, including the potential for rent increases;

- potential for economic growth in the tax and regulatory environment of the community in which the property is located;

- potential for expanding the physical layout of the property and/or the number of sites;

- occupancy and demand by tenants for properties of a similar type in the same geographic vicinity;

- prospects for liquidity through sale, financing or refinancing of the property;

- competition from existing properties and the potential for the construction of new properties in the area; and

- treatment under applicable federal, state and local tax and other laws and regulations.

Inland Real Estate Acquisitions also requires the seller of a property to provide a current Phase I environmental report and, if necessary, a Phase II environmental report.

Before purchasing a property, Inland Real Estate Acquisitions examines and evaluates the potential value of the site, the financial condition and business history of the property, the demographics of the area in which the property is located or to be located, the proposed purchase price, geographic and market diversification and potential sales. In a sale-leaseback situation, since the seller of the property generally is assuming the operating risk, the price paid for the property by us may be greater than if it was not leased back to the seller. All acquisitions from our affiliates must be approved by a majority of our directors, including a majority of the independent directors.

DESCRIPTION OF LEASES

When spaces become vacant or existing leases expire, we anticipate entering into "net" leases. Net leases require tenants to pay a share, either pro rata or fixed, of all or a majority of the operating expenses, including real estate taxes, special assessments, insurance, utilities, common area maintenance and building repairs related to the properties, as well as base rent payments. We intend to include provisions which increase the amount of base rent payable at various points during the lease term and/or provide for the payment of additional rent calculated as a percentage of a tenant's gross sales above predetermined thresholds in most leases. The leases with most anchor tenants generally have initial terms of 10 to 25 years, with one or more renewal options available to the tenant. By contrast, smaller tenant leases typically have three- to five-year terms.

Triple net leases generally have a term of 15 to 25 years and are typically not less than 10 years. In addition, the tenant of a triple-net-lease is responsible for the base rent in addition to the costs and expenses related to property taxes, insurance, repairs and maintenance applicable to the leased space.

Each net lease tenant is required to pay its share of the cost of the liability insurance covering the property in which it is a tenant. The third-party liability coverage insures, among others, us, our business manager/advisor and our property manager. Typically, each tenant is required to obtain, at its own expense, property insurance naming us as the insured party for fire and other casualty losses in an amount equal to the full value of its premises and the contents of the premises. All property insurance must be approved by the property manager. In general, the net lease may be assigned or subleased with our prior written consent, but the original tenant must remain liable under the lease unless the assignee meets income and net worth tests.

In connection with sale and leaseback transactions, the tenant is responsible for paying a predetermined minimum annual rent generally based upon our cost of purchasing the land and building. In addition to the base rent, these tenants are generally responsible for the costs and expenses related to property taxes, insurance, repairs and maintenance applicable to the leased space.

PROPERTY ACQUISITION

We anticipate acquiring fee interests or leasehold interests in properties, although other methods of acquiring a property may be used if we deem it to be advantageous. For example, we may acquire

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properties through a joint venture or the acquisition of substantially all of the interests of an entity which in turn owns the real property. We may also use separate entities to acquire a property. Such entities will be formed solely for the purpose of acquiring a property or properties. See " -- Joint Ventures" in this section and "Federal Income Tax Considerations -- Federal Income Taxation as a REIT."

Our business manager/advisor and its affiliates may purchase properties in their own name, assume loans in connection with the purchase or loan and temporarily hold title to the properties for the purpose of facilitating acquisition or financing by us, the completion of construction of the property or any other purpose related to our business.

Under our articles of incorporation, we are prohibited from purchasing a property from an affiliate unless a majority of the directors not interested in the transaction and a majority of our independent directors approve the purchase as fair and reasonable to us and at a cost to us no greater than the cost of the asset to our affiliate. However, the cost to us may be greater than the cost to our affiliate if a substantial justification for the excess exists and such excess is reasonable. Our policy currently provides that in no event may our cost of the asset exceed its appraised value at the time we acquire the property.

If remodeling is required prior to the purchase of a property, we will pay a negotiated maximum amount either upon completion or in installments commencing prior to completion. The price will be based on the estimated cost of remodeling. In such instances, we will also have the right to review the tenant's books during and following completion of the remodeling to verify actual costs. If substantial disparity exists between estimated and actual costs, an adjustment in the purchase price may be negotiated. If remodeling is required after the purchase of a property, an affiliate of our business manager/advisor may serve as construction manager for a fee no greater than 90% of the fee a third party would charge for such services.

BORROWING

We intend to acquire properties free and clear of permanent mortgage indebtedness by paying the entire purchase price in cash or for shares, interest in our subsidiaries that own our properties, or a combination of any of these. However, we may incur indebtedness to acquire properties where our board determines that it is in our best interest. On properties purchased without financing, we may later incur mortgage debt by obtaining loans secured by selected properties, if favorable financing terms are available. We will use the proceeds from such loans to acquire additional properties. We may also incur debt to finance improvements to our properties. Aggregate borrowings secured by all of our properties will not exceed 55% of their combined fair market value. Our articles of incorporation provide that the aggregate amount of borrowing in relation to the net assets, in the absence of a satisfactory showing that a higher level is appropriate, not exceed 300% of net assets. Net assets means our total assets, other than intangibles at cost before deducting depreciation or other non-cash reserves less our total liabilities, calculated at least quarterly on a basis consistently applied. Any excess in borrowing over such 300% of net assets level must be approved by a majority of our independent directors, disclosed to our stockholders in our next quarterly report to stockholders, along with justification for such excess.

We may incur debt secured by our properties, but most likely on a non-recourse basis, some of which may be subject to certain carve outs. This means that a lender's rights on default will generally be limited to foreclosing on the property. We may secure recourse financing or provide a guarantee to lenders if we believe this may result in more favorable terms. When we give a guaranty for a property, we will be responsible to the lender for the satisfaction of the indebtedness if it is not paid by the property. We do not borrow funds from a program sponsored by our business manager/advisor or its affiliates which makes or invests in mortgage loans. We seek to obtain financing which will result in the most favorable overall economic benefit while balancing various risk factors associated with the debt. At certain times the majority of debt may require level payments and at others the majority may be based on variable rates. We have determined that it may be in our best interest to make use of mortgages the majority of which provide for a balloon payment. There are no prescribed limits on the number or amount of mortgages which may be placed on any one property. Any mortgages secured by a property will comply with the restrictions set forth by the Commissioner of Corporations of the State of California.

Our board adopted a policy to delegate to management the ability to obtain an unsecured line of credit facility with Key Bank for up to $100,000,000. The commitment letter was signed on November 17, 2004, and will have optional unsecured borrowing capacity of $150,000,000, for a total unsecured borrowing capacity of $250,000,000. The facility will have an initial term of one year with two one year extension options, and will replace the current line of credit on or about December 1, 2004, subject to final documentation. The line of credit has not yet been executed.

Our board unanimously approved that consistent with our borrowing policies, we may commit up to the aggregate of $25 million for letters of credit in order to obtain financing for properties.

Our board adopted a policy to delegate to management the ability to obtain unsecured general financing facilities up to $150,000,000 requiring a deposit not to exceed 3% of the facility amount without prior approval by the board of directors. These facilities would then be matched with specific properties, which would secure the amounts due under the general facilities.

SALE OR DISPOSITION OF PROPERTIES

Our board will determine whether a particular property should be sold or otherwise disposed of after considering the relevant factors, including performance or projected performance of the property and market conditions, with a view toward achieving our principal investment objectives.

We intend to hold our properties for a minimum of four years prior to selling them. See "Federal Income Tax Considerations -- Federal Income Taxation as a REIT." We also intend to reinvest the proceeds from the sale, financing, refinancing or other disposition of our properties into additional properties. Alternatively, we may use these proceeds to fund maintenance or repair of existing properties or to increase reserves for such purposes. The objective of reinvesting the sale, financing and refinancing proceeds in new properties is to increase our real estate assets, and our net income, which our board believes will enhance our chances of having our shares traded in a public trading market. Notwithstanding this policy, the board, in its discretion, may distribute all or part of the proceeds from the sale, financing, refinancing or other disposition of all or any of our properties to our stockholders. In determining whether to distribute these proceeds to stockholders, the board will consider, among other factors, the desirability of properties available for purchase, real estate market conditions, the likelihood of the listing of our shares on a national stock exchange or including the shares for quotation on a national market system and compliance with the applicable requirements under federal income tax law under federal income tax laws. Because we may reinvest the proceeds from the sale, financing or refinancing of our properties, we could hold stockholders' capital indefinitely. However, upon the affirmative vote of a majority of the shares of common stock, we will be forced to liquidate our assets and dissolve.

When we sell a property, we intend to obtain an all-cash sale price. However, we may take a purchase money obligation secured by a mortgage on the property as partial payment, and there are no limitations or restrictions on our ability to take such purchase money obligations. The terms of payment to us will be affected by custom in the area in which the property being sold is located and the then prevailing economic conditions. If we receive notes and other property instead of cash from sales, these proceeds, other than any interest payable on these proceeds, will not be available for distributions until and to the extent the notes or other property are actually paid, sold, refinanced or otherwise disposed.

Therefore, the distribution of the proceeds of a sale to the stockholders may be delayed until that time. In these cases, we will receive payments in cash and other property in the year of sale in an amount less than the selling price and subsequent payments will be spread over a number of years. See "Federal Income Tax Considerations."

CHANGE IN INVESTMENT OBJECTIVES AND POLICIES

Our stockholders have no voting rights to implement our investment objectives and policies. Our board has the responsibility for our investment objectives and policies. Our board may not, however, make any material changes regarding the restrictions on investment policies set forth in our articles of incorporation without amending the articles of incorporation. Any amendment to our articles of incorporation requires the affirmative vote of a majority of our then outstanding voting shares of common stock. See "Summary of Our Organizational Documents -- Restrictions on Investments."

INVESTMENT LIMITATIONS

We will not:

- invest more than 10% of our total assets in unimproved real property (and will only invest in unimproved real property intended to be developed) or in mortgage loans on unimproved real property;

- invest in commodities or commodity future contracts;

- issue redeemable shares of common stock;

- issue shares on a deferred payment basis or other similar arrangement; and

- operate in such a manner as to be classified as an "investment company" for purposes of the Investment Company Act. See "Summary of Our Organizational Documents -- Restrictions on Investments" for additional investment limitations.

We do not intend to engage in hedging or similar activities for speculative purposes.

We have no current plans to invest any proceeds from this offering, or other funds, in the securities of other issuers for the purpose of exercising control over such other issuers.

OTHER INVESTMENTS

Consistent with our investment limitations, we may from time to time invest amounts of money in the securities of other companies that may or may not be REITs or companies related to real estate to seek superior returns on these investments. In addition, we may make loans to third parties from time to time in connection with retail centers we intend to purchase or on a short-term basis to real estate ventures.

Our business manager/advisor has informed our board that it is increasingly concerned about the potential that mortgage interest rates at which we can borrow will increase during 2004. Management also believes that mortgage interest rates we can borrow at will increase during 2005. Our board, including all of our independent directors, unanimously approved a resolution for the following:

We may invest in interest rate futures, an interest rate hedging strategy designed to offset the risks of potential interest rate increases on our long-term borrowings. Should conditions warrant, this interest

rate hedging strategy will be implemented over a period of time. We intend to invest in up to $100 million in interest rate futures, both five and seven year treasuries, with maturities of 90 days. Our initial cash outlay in this interest rate hedging strategy is expected to be between 1 to 2% of the value of our investment in the interest rate futures. Risks associated with this interest rate hedging strategy are primarily associated with declines in interest rates. As rates decline, we risk having to increase our initial cash outlay, and may incur losses on our investments in interest rate futures.

An affiliate of our business manager/advisor, Inland Investment Advisors, Inc., the investment advisor, will be managing this interest rate hedging strategy. Fees paid to the investment advisor are expected to be similar to those incurred using a third party investment advisor.

We may also retain the investment advisor to invest up to $10 million of our cash in publicly traded investment securities. Fees paid to the investment advisor are expected to be similar to those incurred using a third party investment advisor.

We may enter into an initial $50 million (which could increase to $100 million) twelve month credit facility with an affiliate of our business manager/advisor, Inland Real Estate Exchange Corporation (IREX) for its 1031 exchange program. IREX will use the funds to purchase real estate investments that meet the criterion consistent with our real estate investment policies.

APPRAISALS

All real property acquisitions to be made by us will be supported by an appraisal prepared by a competent, independent appraiser who is a member-in-good standing of the Appraisal Institute prior to the purchase of the property. Our policy currently provides that the purchase price of each property will not exceed its appraised value at the time of our acquisition of the property. Appraisals are, however, estimates of value and should not be relied on as measures of true worth or realizable value. We will maintain the appraisal in our records for at least five years, and copies of each appraisal will be available for review by stockholders upon their request.

RETURN OF UNINVESTED PROCEEDS

Any of the proceeds of this offering allocable to investments in real property which have not been invested in real property or committed for investment within the later of 24 months from the original effective date of this prospectus or 12 months from the termination of the offering, will be distributed to the stockholders. All funds we receive out of the escrow account will be available for our general use from the time we receive them until expiration of the period discussed in the prior sentence. We may use these funds to:

- fund expenses incurred to operate the properties which have been acquired,

- reimburse the business manager/advisor for our expenses, to the extent allowable under the advisory agreement,

- pay the business manager/advisor its compensation under the advisory agreement; and

- pay the property manager its property management fee under the management agreement

See "Estimated Use of Proceeds" and "Plan of Distribution -- Escrow Conditions." We will not segregate funds separate from our other funds pending investment, and interest will be payable to the stockholders if uninvested funds are returned to them.

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ADDITIONAL OFFERINGS AND EXCHANGE LISTING

We anticipate that by September 15, 2008, our board will determine when, and if, to apply to have our shares of common stock listed for trading on a national stock exchange or included for quotation on a national market system, if we meet the then applicable listing requirements; and/or whether to commence subsequent offerings after completion of this offering. We believe that an exchange listing or inclusion of our shares in a national market system may allow us to increase our size, portfolio diversity, stockholder liquidity, access to capital and stability, and decrease our operating costs through economies of scale. However, we cannot assure that such listing or inclusion will ever occur. If it is not feasible to list shares or include them in a national market system by September 15, 2008, our board may decide to sell our assets individually, list our shares at a future date; or liquidate us within ten years of such date. The sale of all or substantially all of our assets as well as our liquidation would also require the affirmative vote of a majority of the then-outstanding voting shares of stock.

JOINT VENTURES

We may invest in joint venture arrangements with other public real estate programs formed by our business manager/advisor or any of its affiliates if a majority of our directors not otherwise interested in the transaction and a majority of our independent directors approve the transaction as being fair and reasonable. In addition, the investment by each joint venture partner must be substantially on the same terms and conditions as those received by other joint venturers.

We may also invest in general partnerships or joint venture arrangements with our affiliates as co-owners of a property. The general partnership or joint venture agreement for these investments will provide that we will be able to increase our equity participation in such entity as we receive additional proceeds of the offering. As a result, we will ultimately own a 100% equity ownership of the property and the affiliated general or joint venture partner will not be entitled to any profit or other benefit on the sale of its equity participation to us. Once we own, directly or indirectly, 100% of the ownership interests in the general partnership or joint venture entity, we will determine whether the continued existence of that entity is necessary. For example, we may determine to continue the existence of the entity to minimize expenses or to meet lender requirements.

In addition, we may enter into joint venture or partnership arrangements with unaffiliated third parties. Therefore, we may enter into acquisitions with sellers who are desirous of transactions in tax advantaged structures such as arrangements typically referred to as "Down REITs." A Down REIT is an organizational structure in which, in addition to owning indirect interests in real estate properties through the ownership of an interest in a lower-tier operating partnership (as in an UPREIT), a REIT also owns real estate properties directly at the REIT level. In a Down REIT structure, because the REIT owns real estate properties directly, the value of the REIT shares do not bear a direct relationship with the value of an interest in the lower-tier Down REIT operating partnership. You should consider the potential risk that our non-affiliated joint venture partner may be unable to agree with us on a matter material to the joint venture. See "Risk Factors -- Risks Related to the Offering."

We are unable to estimate the proportion of our assets that may be invested in joint venture interests.

CONSTRUCTION AND DEVELOPMENT ACTIVITIES

From time to time, we may attempt to enhance investment opportunities by undertaking construction and development activities and rendering services in connection with them. Our business manager/advisor has advised us that, in its view, we may be able to reduce overall purchase costs if we were to undertake construction and development rather than merely being limited to purchasing properties

subject to completion of construction by a third party. The construction and development activities would expose us to such risks as cost overruns, carrying costs of projects under construction or development, availability and costs of materials and labor, weather conditions, government regulation and our inability to obtain tenants. We nevertheless have concluded that our investment prospects would be enhanced by permitting us to engage in construction and development activities so long as such activities did not cause us to lose our status as a REIT. To comply with the applicable requirements under federal income tax law under federal income tax law, and until the Internal Revenue Service changes its pronouncements with regard to these requirements, we intend to limit our construction and development activities to the performance of oversight and review functions, including reviewing the construction and tenant improvement design proposals, negotiating and contracting for feasibility studies and supervising compliance with local, state or federal laws and regulations, negotiating contracts, oversight of construction, accounts, and obtaining financing. In addition to using independent contractors to provide services in connection with the operation of our properties, we may also use "taxable REIT subsidiaries" to carry out these functions. See "Federal Future Tax Considerations - Federal Income Taxation as a REIT" for a discussion of a "taxable REIT subsidiary." We will retain independent contractors to perform the actual physical construction work on tenant improvements, the installation of heating, ventilation and air conditioning systems. See "Real Property Investments - General" for a detailed description of the types of properties we may invest in.

OTHER POLICIES

Before we purchase a particular property, we may obtain an option to purchase the property. The amount paid for the option, if any, usually would be surrendered if the property was not purchased and normally would be credited against the purchase price if the property was purchased. See "Real Property Investments - General" for a detailed description of the types of properties we may invest in.

We hold all funds, pending investment in properties, in assets which will allow us to continue to qualify as a REIT. These investments are highly liquid and provide for appropriate safety of principal and may include, but are not limited to, investments such as bonds issued by the Government National Mortgage Association, or GNMA, and real estate mortgage investment conduits also known as REMICs. See "Federal Income Tax Considerations - Federal Income Taxation as a REIT."

We will not make distributions-in-kind, except for:

- distributions of readily marketable securities;
- distributions of beneficial interests in a liquidating trust established for our dissolution and the liquidation of our assets in accordance with the terms of our articles of incorporation; or
- distributions of in-kind property which meet all of the following conditions:
    - our board of directors advises each stockholder of the risks associated with direct ownership of the in-kind property;
    - our board of directors offers each stockholder the election of receiving in-kind property distributions; and
    - the directors distribute in-kind property only to those stockholders who accept our offer.

Although our articles of incorporation and bylaws do not prohibit the following, we have no current plans to:

- underwrite the securities of other issuers;
- invest in real estate mortgages; or
- invest the proceeds of the offering, other than on a temporary basis, in non-real estate related investments.

We may change our current plans, without stockholder approval, if our board of directors determines that it would be in the best interests of our stockholder to engage in any such transaction.

Although we are authorized to issue senior securities, we have no current plans to do so. See "Description of Securities - Preferred Stock," "- Issuance of Additional Securities and Debt Instruments" and "- Restrictions on Issuance of Securities."

REAL PROPERTY INVESTMENTS

INVESTING IN REITS

A real estate investment trust or REIT is a company that owns and, in most cases, operates income-producing properties. To qualify as a REIT, generally a company must annually distribute at least 90% of its taxable income to stockholders.

According to the National Association of Real Estate Investment Trusts (NAREIT), dividend growth for publicly traded REITs has consistently outpaced inflation. Stock price appreciation for publicly-traded REITs has historically tracked the rate of increase in the Consumer Price Index, according to NAREIT. This information is based on REITs that are listed and traded on a national exchange and would not be representative of an investment in a REIT that is not publicly traded such as us, and there is no assurance that an investment in a non-publicly traded REIT will produce comparable results.

An analysis of historical data on publicly-traded REITs by Ibbotson Associates, a leading financial research firm, concluded that REITs have a low correlation with other stocks and bonds and represent a potentially powerful diversification tool. Ibbotson noted, "The asset allocation decision is the most important determinant of portfolio performance, outweighing the benefits of market timing and security selection." In particular, Ibbotson found that REITs may boost return and reduce risk when added to a diversified portfolio. Ibbotson also found that REITs outperformed most other major market benchmarks over the 1972-2002 period with much less volatility. There can be no assurance that future performance will mirror past performance and that these results would be comparable to non-traded REITs, like us.

GENERAL

Our business manager/advisor is experienced in acquiring and managing real estate, particularly retail focused shopping centers. We intend to acquire and manage a diversified (by geographical location and by type and size of retail centers) portfolio of real estate primarily improved for use as retail establishments, principally multi-tenant shopping centers. Our portfolio will consist predominantly of grocery and discount store anchored retail, including net lease retail. We may acquire certain mixed use properties that may include lodging, office and/or multi-family residential if they are part of a retail center. And, we may also acquire other types of retail shopping centers, such as enclosed malls, outlet malls and power centers. We also anticipate acquiring real estate improved with other commercial facilities which provide goods and services as well as double or triple net leased properties, which are either commercial or retail, including properties acquired in sale and leaseback transactions. A triple-net leased property is one which is leased to a tenant who is responsible for the base rent and all costs and expenses associated with their occupancy, including property taxes, insurance, repairs and maintenance.

The geographic focus of our portfolio continues to be western U.S. markets; yet, at the present time, we believe that properties available for sale east of the Mississippi River are offering more favorable investment returns. Our objective continues to be to acquire quality properties primarily for income as distinguished from primarily for capital gain. As a result, many of our recently acquired properties that we currently have under contract for purchase are located in eastern U.S. markets. However, over the long-term, we expect the portfolio to consist of properties located primarily west of the Mississippi River. Where feasible, we will endeavor to acquire multiple properties within the same major metropolitan markets where the acquisitions result in efficient property management operations with the potential to achieve market dominance. As a result, we may have clusters of properties east of the Mississippi River.

We do not intend to invest in real estate properties that are primarily:

- farms;

- health care facilities;

- industrial properties;
- leisure home sites;
- manufacturing facilities;
- mining properties;
- ranches;
- single-family residential properties;
- timberlands; or
- unimproved properties not intended to be developed (vacant land).

Subject to compliance with the applicable requirement under the federal income tax laws, we may also undertake construction and development activities and render services in connection with such activities.

See "Investment Objectives and Policies" generally pertaining to our policies relating to the maintenance, operation and disposition of our properties.

We intend to continue focusing on acquisition activity in major metropolitan areas in the western United States. The western United States, which consists of the southwest, rocky mountain and far west states, is projected to experience the most growth of any region of the country over the next 25 years. Population is expected to increase by 33.5 million between 2000 and 2025. Most of the states in the region will experience population growth rates ahead of the national average. In addition, the western region is forecast to lead the nation in the rate of employment growth. The western states will generate 22.8 million new jobs between 1999 and 2025 and account for 38% of total United States job growth.

California is projected to show the largest gains in population and employment; however, the region's growth is expected to become more dispersed as other western states experience higher rates of growth. Texas is expected to retain its position as the second largest state, with a population likely to exceed 29.8 million by 2025. Nevada is likely to experience the fastest rate of growth (2.4% annually between 2000 and 2025), followed by Arizona, Utah, Idaho, Colorado, Texas, New Mexico, Oregon and Washington.

Employment growth is expected to follow a similar pattern. Nevada, Arizona and Utah are projected to lead the nation by generating the fastest rate of annual employment growth. Several western cities are expected to rank among the nation's ten fastest growing metropolitan markets. These areas include Laredo and Austin-San Marcos in Texas, Las Vegas in Nevada, Provo-Orem in Utah and Phoenix-Mesa in Arizona.

The Western region benefits from the diversity of its economy, which has enabled many western states to maintain employment and income growth even when some sectors experience reduced demand. Agriculture, natural resources, manufacturing, trade and services are all represented in the region's economy. In addition many of the goods and services produced in the west have international markets.

Much of the total United States output of agricultural products, oil and natural gas, lumber and wood products and electronic equipment is produced in the West.

INSURANCE COVERAGE ON PROPERTIES

We carry comprehensive general liability coverage and umbrella liability coverage on all of our properties with limits of liability which we deem adequate to insure against liability claims and provide for the costs of defense. Similarly, we are insured against the risk of direct physical damage in amounts we estimate to be adequate to reimburse us on a replacement cost basis for costs incurred to repair or rebuild each property, including loss of rental income during the reconstr